THE Freeman

IDEAS ON LIBERTY

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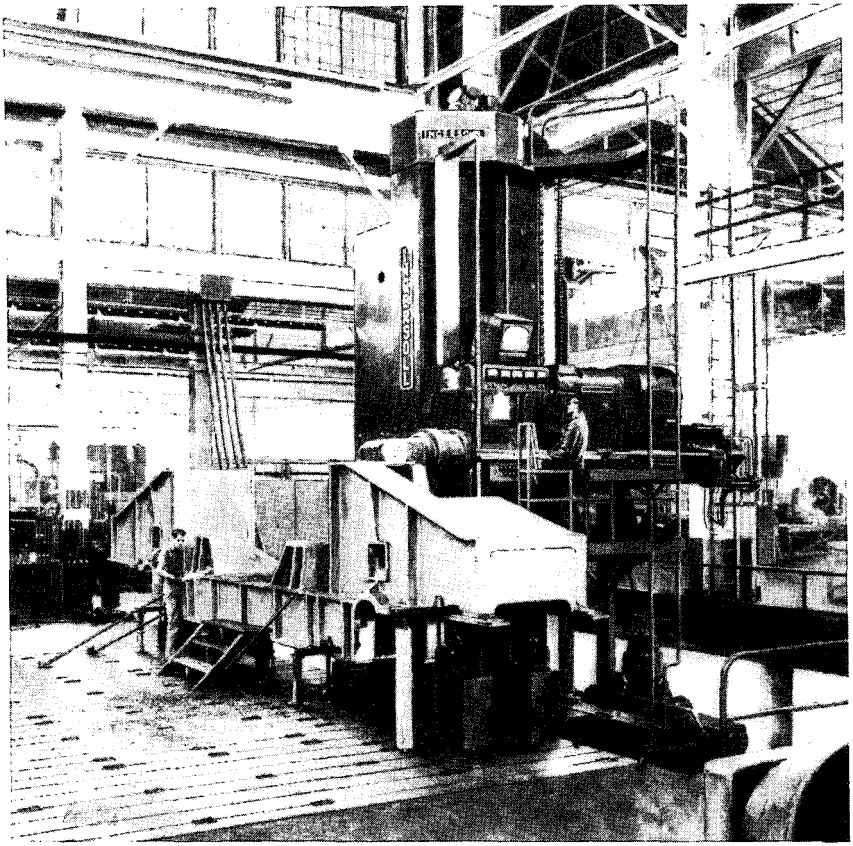

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THE HUMAN SIDE OF HUMAN BEINGS

FOUNTAINHEAD OF THE FREE ECONOMY

SIDNEY J. ABELSON

The uniqueness of man is that sooner or later he releases himself from the shackles of an imposed routine and strikes out for new adventures and progress toward some higher goal.

ABOUT 2,300 years ago Aristotle described man as the uniquely "political animal." He went further than this, of course, and elaborated the precise political and other arrangements which he considered suitable for the human community. And in his scheme of things he included human slavery as a "natural" custom because "on grounds of both reason and fact, from the hour of birth, some are marked out for subjection, others for rule."

Plato's star pupil, for all his brilliance, could not reason beyond the limited biological data available to him. He did not know, for example, that man is not the only species with a political and social history which includes "natural slaves." A nonhuman instance is that of the *Polyergus*, a species of ants which has been completely dependent on a slave system throughout the millions of years of its existence. Aristotle might have been impressed by the fact, brought to light through modern research, that the *Polyergus* "from the hour of birth . . . are born to be masters." Their jaws are like sickles, excellent for fighting but almost useless for manipulating food in the tiny quantities they require. They need to be fed by other

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Mr. Abelson, editor, writer, and lifelong student of economic and social problems, is now an executive in the copy department of Compton Advertising, Inc.

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ants who are "from the hour of birth . . . marked for subjection."

So they raid and subdue the appropriate species and continue to perpetuate a neat social setup in which the higher-born perform the noble arts of warfare and political management while the lower-born toil at the essential chores of sustenance – an arrangement not anatomically too unlike the social system prevalent in Aristotle's time. Here was an example, taken from the unyielding and unalterable rules of nature itself, which Aristotle could have pointed to as a paradigm for his own contrived human system. Perhaps he would have done so, for he did not understand how wide and deep is the gulf between the meanest human slave and the highest subhuman animal.

The slave system of the Greeks – and of other advanced civilizations – came and went, while that of the *Polyergus* still lives on, seemingly destined to continue indefinitely into the future. Why should this be? Why should slavery be a fixed custom among these social insects and a fluid one in the human community? We find the answer in elementary and elemental biological facts, facts which are not often looked at sharply enough to reveal their profound significance for human social thinking.

Of Ants and Men

Ever since – and perhaps before – King Solomon admonished sluggards that they "go to the ant . . . consider her ways and be wise," men have been practising the intriguing art of formulating analogies between ant and human societies. And, of course, they have found in those analogies warnings of impending human debacle and lessons for the reform of our own social ways; for the ants are remarkably successful as social creatures. Their unwavering industry and unquestioning adherence to effective social customs have left them free from the convulsions and upheavals suffered by human societies throughout the ages.

The ants have no problems in their interpersonal relationship. They undergo no internal social cataclysms. They have no jails, no corrective or psychiatric institutions. They are never bedeviled by juvenile delinquency nor by any of the other personal and social difficulties which have made social work so urgent and important in the human community. Each member of each of the 1,500 or more species of ants is born with a predetermined place in the social structure, and he keeps his place without complaints and without regrets. By virtue of unremitting industry and an unfailing capacity to do exactly the right thing at the

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right time the ants build homes and communities for themselves that serve their purpose of survival to perfection. And they have been performing these marvels of social organization for millions of years, with every prospect of surviving in the same way for millions of years to come.

Fundamental Differences

The simple biological fact is that the ant society has an organic structure entirely unlike that of the human community. Each ant is, in a realistic sense, an organ of the total group which in turn depends for its survival upon the effective functioning of its organs, just as an individual body depends upon the functioning of its vital parts. Though ants do have diverse habits and individuality, these characteristics are limited in their expression to performance of predetermined tasks. There is no social mobility in an ant community, no opportunity to alter the biologically established customs. Even if an especially talented ant were to arise, it could not reorganize this rigid communal structure without performing unimaginable biological miracles. And in that case the ants would no longer be ants.

Humans, on the other hand, exhibit no such biological rigidity. We are born, it is true, with limited or definable physical and psychological abilities, but these, despite Aristotle, do not fix our status or capacity for status in the social organization. Even the most humble slave in ancient Greece had feelings and desires, potential and actual abilities incomparably and irreversibly different from those of the ants – and from all other subhuman creatures. No individual human being is born to be a plumber or a playwright, though experience may show that one or the other occupation may, indeed, be the most rewarding possible in terms of aptitude and because of environmental opportunity. But that is the point: we cannot know what a given human is best fitted for until he has had the widest possible opportunities to explore his interests and test his capacities. Moreover, we know now that heredity is not all-limiting; cultural situations often draw out unsuspected abilities, if not in a given individual, often in his children. A quite ordinary male and an even more ordinary female can – and did – become the parents of a Da Vinci. Such an astounding change in one generation is unthinkable and impossible in an ant society or among any other creatures except man.

We can see, then, that Aristotle's concept of an ideal master-slave society is inapplicable to humans

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however much it may stand up as descriptive of certain insect societies. The human being is biologically unfit for a rigid social structure; in the very nature of his total being he requires a plastic or fluid environment if he is to succeed in utilizing his potentials, potentials which are not even remotely existent within any other species.

But what about the vast amount of evidence, adduced by modern investigators, which so definitely reveals a "human side of animals"? Comparative psychologists and scientists in related fields have convincingly proved that apes have thinking capacity, birds an aesthetic sense, rats the ability to learn, to mention just a few of innumerable such instances tending to indicate that in the final sense man is unique in degree rather than kind.

The Uniqueness of Humanity

Even if we accept the conclusion that man is nothing more than an advanced animal, the degree of his advancement is so great as to put him beyond comparison with lower animals in terms of the scope and richness of life's opportunities. It is only necessary to repeat for the record that man's capacity for abstract thinking, his improvisation and accumulation of culture, and many other features establish his remarkable uniqueness in the world of living creatures. By comparison with man's achievements all human-like faculties discovered in lower animals are of the most rudimentary sort and just barely measurable. However, the cataloging of these evidences of man's uniqueness is only a way of looking at effects. Why does man improvise and accumulate? Why does he so restlessly keep changing his way of life? Why does he roam the world – perhaps the universe! – forever altering the face of natural things?

Questions such as these cannot be finally answered until the mystery of existence itself is unveiled. Yet we can answer them for practical purposes in terms of a "mechanical" feature of man's inherited equipment.

Thus, Aristotle classified about 500 separate and distinct species of living creatures. Today, that once formidable catalog has grown to include more than one million species. And the enlightening fact is that man and man alone among all this vast array of creatures possesses an inborn need to satisfy new, cumulative, and accumulating desires not directly related to the maintenance of life itself. Nowhere among the million or more of man's fellow creatures on earth has this characteristic been discovered, even in rudimentary form.

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Desire for Change

This implacable desire for change and variety is the inborn motive force which puts man's advanced brain capacity to work. It is the lever which has lifted humankind above the level of barbarism. It is the necessity which becomes the perpetual mother of invention. It is the irrepressible conspirator which contrives to keep the cauldron of dissatisfactions forever at a boiling point. It is the magician which compels concepts like "old-fashioned" and "out-of-date" to arise from nowhere. It is the progenitor of boredom and, at the same time, the counterforce of inertia. It is the supreme artisan which has made of the basic problems of biological survival – sustenance, sex, and threat of attack by other creatures – a means instead of an end. It is the component of man's biological inheritance, for all its mystery, which has given him the incentive and the power to overcome his physical insufficiencies and to outwit all other creatures and nature itself in the struggle for survival. Without it man would be nothing more than a tricky sort of animal, capable of performing ingenious but sterile mental feats, yet incapable of surviving the grim physical battle with other creatures far superior in mass and muscle.

Man is not satisfied, except at the lowest levels and under extraordinary circumstances, with mere survival. Like the lower animals he must meet the vital, strictly biological, and primary needs of keeping alive. But, for one thing, he satisfies or attempts to satisfy these needs with extraordinary embellishments. For another, he looks upon them only as necessary chores required to establish a base for true living. And the ambit of this truer or higher life includes derived, acquired, and secondary needs, needs that are psychological, socially-invented, discretionary.

Beyond the Bounds of Necessity

This seeking of satisfactions that are outside the scope of necessity comprises the essentially human part of human beings. However sharp may be the anatomical and physical analogies between man on the one hand and other creatures on the other, however intriguing may be human and subhuman psychological similarities, this drive remains to mark the startling uniqueness of humankind. Wearying, imponderable, often frightening, it is still inescapable; we cannot turn our backs on it, we cannot attenuate it, we cannot live without it.

There are, of course, social philosophies and religions which belittle, or minimize, or seek to

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deracinate this uniquely human characteristic. In the cause of either peace or salvation of the soul they propose a life of denial and rejection, a "return" to simple ways in which bare physical survival and minimum comforts supposedly would provide an environment conducive to the development of a state of mind more in tune with man's spiritual needs for this world or the next. But in the long run they are fighting a losing battle: this strange and unremitting drive manifests itself in a way that will not be denied. Where in the world today are there more than feeble protests against the onrushing advance of a technological culture which promises an unpredictable flow of "better things for better living"?

Surplus for Progress

A more urgent problem in our attitude toward the human side of human beings is presented by collectivistic economic and social theories. Until the technological break-through of this century – accompanied or made possible by the mass-oriented character of the American economy – the question of survival itself was the most pressing problem faced by the great mass of mankind. The satisfaction of discretionary desires and the enjoyment of refined comforts were luxuries reserved for the few. It is understandable that under such circumstances economic and social theories would arise designed to "spread the wealth" and assure a more decent survival for the many. Since survival as such must precede development of the refinements of human life, there is no logical basis on which exception can be taken to this goal.

However, in seeking this goal the tendency has been to lose sight of the broader human horizons. In correcting the evils of an uninhibited individualism there has been a movement in the direction of forgetting the individuality of each of the mass of mankind. In concentrating on the common denominator requirements of survival, collectivistic theories have tended to neglect consideration of individualistic needs and opportunities required by the biological fact that each human being is an extraordinarily unique member of the astonishingly unique human species.

The Unplanned Benefits

It has been said before, but certainly can stand saying again, that central economic planning, however well-intentioned, can provide, if at all, only for minimum needs and commonly-shared essential services. Even this is a theoretical matter. No collectivistic economy thus far has proved its ability to accomplish this basic aim

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of assuring a decency level of survival for its members. But in the event such an economy should succeed it could go no further, for the complexity and spontaneity of individual human desires present a calculus of permutations and combinations beyond solution except by individuals, each acting freely on his own behalf.

Ultimately, *it is the unplanned benefits of an economy rather than the planned welfare which comprise the area of man's opportunity to transcend survival as such and fulfill his human potentials.* Offhand it might seem as if an ideal economy could be improvised in which survival needs were assured by central planning in such a way as to leave the quest for nonvital satisfactions in the hands of individuals. The difficulty here is that humans, unlike other animals, vary to an astonishing degree in their choices of items required to satisfy vital as well as nonvital needs. And the fact remains that the temperamental component of humans which accounts for this situation is as much a part of their biological heritage as is the more complex brain in which this temperament has its seat.

It is only necessary to look closely at the biological nature of man, temperamental as well as physical, to realize that the free economy is not an incidental contrivance of self-seeking men. Man does not really know what he wants. "This is a place of hope," wrote Thomas Carlyle, "and man, properly speaking, has no other possession but hope." Man "makes up his mind" as he goes along, placing great value on some desired thing one day and calling it valueless the next. Some items he values for the utility of the moment; others he treasures because they satisfy a vague craving. His life, as an individual and as a species, is an experiment in searching for an undefinable denouement or salvation.

New Adventures in Living

In the course of the few thousand years during which man's truly human side has asserted itself he has altered his way of life numerous times, accepting status and stagnation only when repressed by ignorance, fear, or force. But sooner or later he releases himself from the shackles of an imposed routine and strikes out for new adventures in living. The free economy is the manifestation of man's biological need to seek satisfaction of diverse and unpredictable desires and through this process to make progress toward some higher goal. In efforts to escape from the uncertainties and burdens of his restless nature man may – and obvi-

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ously does – experiment with planned economies. Such economies bear within themselves the most potent contradiction possible: a conflict with the irresistible biological necessity of their members. Barring an unthinkable reversal of the human make-up, they are destined to fail.

Does this mean that there is no possible solution of life's problem that promises stability, security, release from the pressure of pyramiding desires? It probably does. It does not mean, however, that man cannot achieve a high degree of stability and security. However, it would have to be a stability based on recognition of his unique character and a security that is based on functioning effectively according to that character. Instead of fearing and attempting to reject and escape from his uniqueness, man can utilize his special brand of courage – moral and intellectual – to face his special problem. He can accept his uniqueness for what it is, embrace it, envisage its promises, and prepare himself to make those promises realizable.

In any case, because the human side of human beings will not be denied, in the long run the free economy, in one form or another, is here, if not to stay, at least to return. This is a biological imperative which inevitably takes precedence over the transitory "historical necessity" of collectivist doctrines. • • •

IDEAS ON LIBERTY

Profound Differences

IT IS MY CONFIRMED OPINION based upon diverse considerations and upon prolonged thought, that one of the most constructive and harmony producing moves that we, as inquiring human beings can make, is to get acquainted with, in the most scientific manner possible, the inherent differences that exist among members of the human family.... Why choose our own schools, our own amusements, our own books, our own church? Why not have someone tell us what to eat, what to drink, whom to marry, and when we can have children? The fundamental reason is that each of us is a different individual — with profound differences — and each of us wants to live his own life.... There is not the slightest danger that humanity will put up indefinitely with any scheme which involves thoroughgoing regimentation. It is not human nature to tolerate this. There are too many potential Patrick Henrys, and they will continue to reproduce.

ROGER J. WILLIAMS, "Chemical Anthropology—An Open Door" from *American Scientist*, March 1958

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the SHEER JOY of LEARNING

M. L. LEVY

AT A RECENT company training session for middle-management men, a speaker pointed to the need for statesmanship and breadth in management. He exhorted the participants to read books on sociology, politics, philosophy, and the like. His entire talk was embellished in the time-honored tradition with colorful slides. His specific appeal *to read* was accompanied by a cartoon of a harried executive at his desk, encircled by dancing imps bearing legends like "inventory control," "sales quotas," and "labor costs." Beyond the barrier imps was a stool laden with books on the social sciences.

"To understand your place and purpose in society is necessary to survival," went the speaker's plea. "You must *speak* up in the battle for men's minds. To speak you must understand. To understand you must read, in spite of the other demands for your time. You must read so that you, your children, and their children, and the way of life you believe in, can survive."

Other than the incongruous use of a cartoon-comic-book approach to secure interest in very un-comic-book-like reading material, the speaker's story was logical and stimulating. Yet, in the discussion period which followed most of the time was spent by participants justifying the time they spend on the sports page, televiewing, lawn-cutting, and other suburban delights, over and above any *new* intellectual excursion.

A company executive, under whose tutelage the training course was conducted, detected the unfavorable drift of the discussion. He interjected the comment that keeping up with the times, understanding the American ideology and competing ideologies were part of management job requirements today. He pointed out that the management of this particular company would be measured on how well it met these requirements and would be promoted and paid according to such measurement.

The speaker, then, tried to moti-

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vate us by saying in effect, "Read or die.... Read to survive." What the executive in charge really said, however, was "Read or you'll fail to get a better job. Read to get more money."

Anti-Intellectualism

Both these appeals, regardless of their worth, were external and material in nature. No one – speaker, executive, nor participants – suggested that love of learning, curiosity, or the individual satisfaction of being more at home in one's time and place were appropriate or sufficient motivation in themselves to explore unfamiliar fields through the written word. Why not? That an apparent lack of awareness of such motivation even exists is a frightening commentary on current attitudes. Study for the sheer joy of learning, study for the thrill of using a God-given endowment denied to species other than man, study for the satisfaction it brings to the curious, restless, questioning, broadly-ranging mind seems too frequently forgotten, or if remembered, considered a little peculiar and unfashionable. The pure fun of intellectual achievement is being overlooked in our catalog of joys.

Motorcycle jackets and basketball have greater appeal and acceptance than book jackets and study. A climate of anti-intellectualism exists. This does *not* mean failure to show European-style personal deference to teachers and scholars, an interpretation so often put upon the phrase "anti-intellectualism." Rather is meant the lack of respect for what the teacher and scholar represent – the *failure* of individuals, regardless of their own ability, to marvel at what man's mind can do and has done and to desire to emulate to whatever degree possible, those who earnestly apply their mental ability.

Changing the climate of this kind of anti-intellectualism requires changes in attitudes which have been a long time in the making. Meaningful, lasting changes in attitude will not come from threats of destruction or promises of more money. They will come only out of sincere respect for the significance of the individual, out of wonderment and awareness of the miracle of the human mind.

Correction Begins at Home

Creation of the desired attitudes cannot be effectively delegated to teachers, clergy, training course orators, or executives. The foundation of such attitudes is in the home, in the conscious and unconscious shaping by parents of a set of values for their children. Some efforts of these others do

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help, but the receptiveness and understanding of their audiences is a function of the parental influence which long preceded it. And to the extent that certain efforts of others do not help, parents have only themselves to blame. The emphasis on group harmony at the expense of intellectual activity in our schools, the increasing devotion to "togetherness" and "sociability" in our churches are the result of the desires of the supporters of those institutions or of their apathy.

Observation of the practices, attitudes, and habits of their parents can instill in children the strong desire to think and an appreciation of the satisfaction of intellectual accomplishment. The wrong parental example can do just the opposite beyond any hope of correction. • • •

FREEDOM OF Opportunity

DARRYL W. JOHNSON, JR.

ONE of the characteristics of our educational system in the past decade or so has been its preoccupation with the welfare of the "slow learner," or poorer student. This has resulted in "passing" many who should have failed. We are now beginning to realize that the granting of such unearned benefits to the intellectually poor or the plain lazy has only compounded and perpetuated the difficulty.

Concentration on the poor student has been accomplished only by a corresponding neglect of the better student, and this neglect has been costly. The lesson to be learned is that excessive concentration on the welfare of the intellectually poor has not only failed to help him but that such policies

Mr. Johnson teaches mathematics at Hialeah Senior High School in Florida. He described this article as "one of the three-minute lectures I generally give at the beginning of each math class."

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have had an effect of causing the intellectually rich to lose initiative in providing brain power for progress.

There is no way for schools to "give" an education. An education must be earned. Schools provide the opportunity for education, but that is all. If schools "guarantee" that you will pass, why learn? If God guaranteed heaven, why be virtuous? If government guarantees a living, why work? Of course, none of these things *can* be guaranteed. The schools and the government are incapable, and God is too wise. All that can reasonably be provided is opportunity.

The Same Holds for Government

These policies and the lessons to be learned from them have an important parallel in the field of government. Socialism, with its pretended concern with the welfare of the poor, "social equity," and the like, has the same results. Progressive taxation and other schemes supposedly designed in the interest of the poor do not actually aid the poor at all, but result in loss of initiative on the part of the better and more successful members of society, so that the total contribution to the material welfare of the whole is diminished.

The alleged humanitarian motives of socialism constitute an argument which is beginning to wear rather thin. No amount of commendable reasons behind certain actions can excuse the actions themselves, especially when such actions have proven destructive for century upon century. If we really want to help the poor have adequate housing, good medical service, and other advantages, let's try something that works . . . which involves keeping the dead hand of government out of these things and making sure that private enterprise is not paralyzed by taxation.

The next time anyone says, "We ought to tax the corporations more and spare the people," let us remind him that you cannot tax a corporation as such, or a state, or anything else *except* people, and that his words really mean, "We ought to tax those who were frugal and saved and took the risk of investing those savings so that a corporation could be formed, so that jobs could be created, and so that the things we all want and need could be produced." Viewed in this light, such policies appear to be what they actually are – a direct attack on the very mainsprings of our welfare.

To promote true welfare, let's do all we can to preserve the one characteristic that only freedom can provide – OPPORTUNITY. • • •

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WAGES UNEMPLOYMENT AND INFLATION

"The wage earner, like every other citizen, is firmly interested in the preservation of the dollar's purchasing power."

LUDWIG VON MISES

OUR ECONOMIC SYSTEM – the market economy or capitalism – is a system of consumers' supremacy. The customer is sovereign; he is, says a popular slogan, "always right." Businessmen are under the necessity of turning out what the consumers ask for and they must sell their wares at prices which the consumers can afford and are prepared to pay. A business operation is a manifest failure if the proceeds from the sales do not reimburse the businessman for all he has expended in producing the article. Thus the consumers in buying at a definite price determine also the height of the wages that are paid to all those engaged in the industries.

It follows that an employer cannot pay more to an employee than the equivalent of the value the latter's work, *according to the judgment of the buying public,* adds to the merchandise. (This is the reason why the movie star gets much more than the charwoman.) If he were to pay more, he would not recover his outlays from the purchasers; he would suffer losses and would finally go bankrupt. In paying wages, the employer acts as a mandatory of the consumers, as it were. It is upon the consumers that the incidence of the wage payments falls. As the immense majority of the goods produced are bought and consumed by people who are themselves receiving wages and salaries, it is obvious that in spending their earnings the wage earners and employees themselves are foremost in determining the height of the compensation they and those like them will get.

The buyers do not pay for the toil and trouble the worker took nor for the length of time he spent in working. They pay for the products. The better the tools are which the worker uses in his job, the more he can perform in an hour, the higher is, consequently, his remuneration. What makes wages rise and renders the material conditions of the wage earners

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more satisfactory is improvement in the technological equipment.

American wages are higher than wages in other countries because the capital invested per head of the worker is greater and the plants are thereby in the position to use the most efficient tools and machines. What is called the American way of life is the result of the fact that the United States has put fewer obstacles in the way of saving and capital accumulation than other nations.

The economic backwardness of such countries as India consists precisely in the fact that their policies hinder both the accumulation of domestic capital and the investment of foreign capital. As the capital required is lacking, the Indian enterprises are prevented from employing sufficient quantities of modern equipment, are therefore producing much less per man-hour, and can only afford to pay wage rates which, compared with American wage rates, appear as shockingly low.

There is only one way that leads to an improvement of the standard of living for the wage-earning masses—the increase in the amount of capital invested. All other methods, however popular they may be, are not only futile, but are actually detrimental to the well-being of those they allegedly want to benefit.

What Makes Wages Rise?

The fundamental question is: Is it possible to raise wage rates *for all those eager to find jobs* above the height they would have attained on an unhampered labor market?

Public opinion believes that the improvement in the conditions of the wage earners is an achievement of the unions and of various legislative measures. It gives to unionism and to legislation credit for the rise in wage rates, the shortening of hours of work, the disappearance of child labor, and many other changes. The prevalence of this belief made unionism popular and is responsible for the trend in labor legislation of the last decades. As people think that they owe to unionism their high standard of living, they condone violence, coercion, and intimidation on the part of unionized labor and are indifferent to the curtailment of personal freedom inherent in the union-shop and closed-shop clauses. As long as these fallacies prevail upon the minds of the voters, it is vain to expect a resolute departure from the policies that are mistakenly called progressive.

Yet this popular doctrine misconstrues every aspect of economic reality. The height of wage rates at which all those eager to get jobs can be employed depends on

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the marginal productivity of labor. The more capital – other things being equal – is invested, the higher wages climb on the free labor market, i. e., on the labor market not manipulated by the government and the unions. At these market wage rates all those eager to employ workers can hire as many as they want. At these market wage rates all those who want to be employed can get a job. There prevails on a free labor market a tendency toward full employment. In fact, the policy of letting the free market determine the height of wage rates is the only reasonable and successful full-employment policy. If wage rates, either by union pressure and compulsion or by government decree, are raised above this height, lasting unemployment of a part of the potential labor force develops.

These opinions are passionately rejected by the union bosses and their followers among politicians and the self-styled intellectuals. The panacea they recommend to fight unemployment is credit expansion and inflation, euphemistically called "an easy money policy."

Credit No Substitute for Capital

As has been pointed out above, an addition to the available stock of capital previously accumulated makes a further improvement of the industries' technological equipment possible, thus raises the marginal productivity of labor and consequently also wage rates. But credit expansion, whether it is effected by issuing additional banknotes or by granting additional credits on bank accounts subject to check, does not add anything to the nation's wealth of capital goods. It merely creates the illusion of an increase in the amount of funds available for an expansion of production. Because they can obtain cheaper credit, people erroneously believe that the country's wealth has thereby been increased and that therefore certain projects that could not be executed before are now feasible. The inauguration of these projects enhances the demand for labor and for raw materials and makes wage rates and commodity prices rise. An artificial boom is kindled.

Under the conditions of this boom, nominal wage rates which before the credit expansion were too high for the state of the market and therefore created unemployment of a part of the potential labor force are no longer too high and the unemployed can get jobs again. However, this happens only because under the changed monetary and credit conditions prices are rising or, what is the same expressed in other words, the purchasing power of the monetary unit

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drops. Then the same amount of nominal wages – wage rates expressed in terms of money – means less in real wages – in terms of commodities that can be bought by the monetary unit. Inflation can cure unemployment only by curtailing the wage earner's *real* wages. But then the unions ask for a new increase in wages in order to keep pace with the rising cost of living and we are back where we were before, in a situation in which large scale unemployment can only be prevented by a further expansion of credit.

Protracted Inflation

This is what happened in this country as well as in many other countries in the last years. The unions, supported by the government, forced the enterprises to agree to wage rates that went beyond the potential market rates, that is, the rates which the public was prepared to refund to the employers in purchasing their products. This would have inevitably resulted in rising unemployment figures. But the government policies tried to prevent the emergence of serious unemployment by credit expansion – inflation. The outcome was rising prices, renewed demands for higher wages and reiterated credit expansion; in short, protracted inflation.

But finally the authorities became frightened. They know that inflation cannot go on endlessly. If one does not stop in time, the pernicious policy of increasing the quantity of money and fiduciary media, the nation's currency system collapses entirely. The monetary unit's purchasing power sinks to a point which for all practical purposes is not better than zero. This happened again and again, in this country with the Continental Currency in 1781, in France in 1796, in Germany in 1923. It is never too early for a nation to realize that inflation cannot be considered as a way of life and that it is imperative to return to sound monetary policies. In recognition of these facts the Administration and the Federal Reserve Authorities some time ago discontinued the policy of progressing credit expansion.

Sound Money Doesn't Cause Slump

It is not the task of this article to deal with all the consequences which the termination of inflationary measures brings about. We have only to establish the fact that the return to monetary stability does not *generate* a crisis. It only brings to light the malinvestments and other mistakes that were made under the hallucination of the illusory prosperity created by the easy money. People become aware of the faults committed and, no

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longer blinded by the phantom of cheap credit, begin to readjust their activities to the real state of the supply of material factors of production. It is this – certainly painful, but unavoidable – readjustment that constitutes the depression.

One of the unpleasant features of this process of discarding chimeras and returning to a sober estimate of reality concerns the height of wage rates. Under the impact of the progressing inflationary policy the union bureaucracy acquired the habit of asking at regular intervals for wage raises, and business, after some sham resistance, yielded. As a result these rates were at the moment too high for the state of the market and would have brought about a conspicuous amount of unemployment. But the ceaselessly progressing inflation very soon caught up with them. Then the unions asked again for new raises and so on.

The Purchasing Power Argument

It does not matter what kind of justification the unions and their henchmen advance in favor of their claims. The unavoidable effects of forcing the employers to remunerate work done at higher rates than those the consumers are willing to restore to them in buying the products are always the same: rising unemployment figures.

At the present juncture the unions try to rake up the old hundred-times-refuted purchasing power fable. They declare that putting more money into the hands of the wage earners – by raising wage rates, increasing the benefits to the unemployed, and embarking upon new public works – would enable the workers to spend more and thereby stimulate business and lead the economy out of the recession into prosperity. This is the spurious pro-inflation argument to make all people happy through printing paper bills.

Of course, if the quantity of the circulating media is increased, those into whose pockets the new fictitious wealth comes –whether they are workers or farmers or any other kind of people – will increase their spending. But it is precisely this increase in spending that inevitably brings about a general tendency of all prices to rise. Thus the help that an inflationary action could give to the wage earners is only of a short duration. To perpetuate it, one would have to resort again and again to new inflationary measures. It is clear that this leads to disaster.

There is a lot of nonsense said about these things. Some people assert that wage raises are "inflationary." But they are not in themselves inflationary. Nothing is inflationary except inflation,

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i. e., an increase in the quantity of of money in circulation and credit subject to check (checkbook money). And under present conditions nobody but the government can bring an inflation into being. What the unions can generate by forcing the employers to accept wage rates higher than the potential market rates is not inflation and not higher commodity prices, but unemployment of a part of the people anxious to get a job. Inflation is a policy to which the government resorts in order to prevent the large scale unemployment the unions' wage raising would otherwise bring about.

Political Dilemma

The dilemma which this country and many others have to face is very serious. The extremely popular method of raising wage rates above the height the unhampered labor market would have established would produce catastrophic mass unemployment if inflationary credit expansion were not to rescue it. But inflation has not only very pernicious social effects. It cannot go on endlessly without resulting in the complete breakdown of the whole monetary system.

Public opinion, entirely under the sway of the fallacious labor union doctrines, sympathizes more or less with the union bosses' demand for a considerable rise in wage rates. As conditions are today, the unions have the power to make the employers submit to their dictates. They can call strikes and, without being restrained by the authorities, resort with impunity to violence against those willing to work. They are aware of the fact that the enhancement of wage rates will increase the number of jobless. The only remedy they suggest is more ample funds for unemployment compensation and a more ample supply of credit, i. e., inflation. The government, meekly yielding to a misguided public opinion and worried about the outcome of the impending election campaign, has unfortunately already begun to reverse its attempts to return to a sound monetary policy. Thus we are again committed to the pernicious methods of meddling with the supply of money. We are going on with the inflation that with accelerated speed makes the purchasing power of the dollar shrink. Where will it end? This is the question which Mr. Reuther and all the rest never ask.

Only stupendous ignorance can call the policies adopted by the self-styled progressives "pro-labor" policies. The wage earner like every other citizen is firmly interested in the preservation of

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the dollar's purchasing power. If, thanks to his union, his weekly earnings are raised above the market rate, he must very soon discover that the upward movement in prices not only deprives him of the advantages he expected, but besides makes the value of his savings, of his insurance policy, and of his pension rights dwindle. And, still worse, he may lose his job and will not find another.

Against Inflation, But . . .

All political parties and pressure groups protest that they are opposed to inflation. But what they really mean is that they do not like the unavoidable consequences of inflation, namely, the rise in living costs. Actually they favor all policies that necessarily bring about an increase in the quantity of the circulating media. They ask not only for an easy money policy to make the unions' endless wage boosting possible but also for more government spending and – at the same time – for tax abatement through raising the exemptions.

Duped by the spurious Marxian concept of irreconcilable conflicts between the interests of the social classes, people assume that the interests of the propertied classes alone are opposed to the unions' demand for higher wage rates. In fact, the wage earners are no less interested than any other groups or classes in a return to sound money. A lot has been said in the last months about the harm fraudulent officers have inflicted upon the union membership. But the havoc done to the workers by the union's excessive wage boosting is much more detrimental.

It would be an exaggeration to contend that the tactics of the unions are the sole threat to monetary stability and to a reasonable economic policy. Organized wage earners are not the only pressure group whose claims menace today the stability of our monetary system. But they are the most powerful and most influential of these groups and the primary responsibility rests with them.

The Need for Monetary Stability

Capitalism has improved the standard of living of the wage earners to an unprecedented extent. The average American family enjoys today amenities of which, only a hundred years ago, not even the richest nabobs dreamed. All this well-being is conditioned by the increase in savings and capital accumulated; without these funds that enable business to make practical use of scientific and technological progress the American worker would not produce more and better things per hour of work than the Asiatic

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coolies, would not earn more, and would, like them, wretchedly live on the verge of starvation. All measures which – like our income and corporation tax system – aim at preventing further capital accumulation or even at capital decumulation are therefore virtually antilabor and antisocial.

One further observation must still be made about this matter of saving and capital formation. The improvement of well-being brought about by capitalism made it possible for the common man to save and thus to become a capitalist himself in a modest way. A considerable part of the capital working in American business is the counterpart of the savings of the masses. Millions of wage earners own saving deposits, bonds, and insurance policies. All these claims are payable in dollars and their worth depends on the soundness of the nation's money. To preserve the dollar's purchasing power is also from this point of view of vital interest to the masses. In order to attain this end, it is not enough to print upon the banknotes the noble maxim, *In God we trust.* One must adopt an appropriate policy. • • •

IDEAS ON LIBERTY

Unlimited Power

IF CONGRESS can apply money indefinitely to the general welfare and are the sole and supreme judges of the general welfare, they may take the care of religion into their hands; they may establish teachers in every state, county and parish, and pay them out of the public treasury; they may take into their hands the education of children, establishing in like manner schools throughout the Union; they may undertake the regulation of all roads other than post roads. In short, everything from the highest object of state legislation down to the most minute objects of police, would be thrown under the power of Congress. For every object I have mentioned would admit the application of money, and might be called, if Congress pleased, provisions for the General Welfare.

HUGH WILLIAMSON of N. Carolina, Member of the Constitutional Convention, 1787

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INFLATION IS A MORAL PROBLEM

INFLATION has become almost a modern way of life. Only a few years ago Greek money dropped in purchasing power until the American dollar exchanged for 30,000 drachma. For less than thirty-five dollars any American tourist could be a millionaire. The American dollar is a victim of creeping inflation also, and its value in terms of purchasing power continues to decline.

Every one of the larger countries in Europe, Africa, and America has suffered seriously from inflation. In the last ten years, the purchasing power in these countries has declined all the way from 19 per cent in the case of Switzerland to 95 per cent in Chile.

The problem of inflation is not an economic problem alone, it is also a political and moral problem. The ills of inflation are reaching epidemic proportions in modern society. West Germany, where sobering memories remain of the dreadful consequences of the inflation of the mark after World War I, is making a heroic effort to avoid the temptations of a further unsound monetary policy. This self-imposed monetary discipline is earning West Germany world respect.

The economic problem is apparent enough. Once national currency loses its fixed purchasing power, the ensuing breakdown of public trust contributes swiftly to an undermining of confidence in national policy and integrity. It may take more than a sound monetary policy to assure a nation's survival, but that survival is not long possible in the absence of such a policy. Historians will find little difficulty in tracing a connection between inflation and the fall of ancient Greece, of Crete, and of Rome. The day came inevitably in these countries when the effects of inflation were obvious; then the masses lost confidence in the currency, considered savings futile, and stopped work. Even in our day people cease to save dollars with which to purchase insurance and bonds as soon as inflation eats away their equity at a rate approaching their returns of interest or payments. The link between a sound monetary policy and public confidence, industry, and thrift is undeniable.

In the days of Greece and Rome, inflation was accomplished by "clipping the coins." This was done by taking the coins then in circulation, reminting them so

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that they contained less gold or silver, and alleging that they had the same nominal value as theretofore.

Many centuries later, with the advent of the printing press, kings and dictators, desirous of obtaining a larger income than they could conveniently acquire by taxation, resorted to the simple process of printing more paper money, alleging that this money had the same nominal value as did the lesser amount of money which previously existed.

A number of years ago our government compelled the American people to give up their gold in exchange for a piece of paper having an alleged value equal to the gold. Today credit is used largely in place of money, and the government, through bank control of credit, can and does increase the supply of credit at will.

Thus we see that all down through the corridors of time inflation has been due to the increase in the quantity of money; first by clipping coins, then by the use of the printing press, and finally by governments using banks for increasing money and credit.

High Prices Are a Consequence

It is commonly thought that anything that raises prices is inflation, but this is simply not true. High prices are no more the cause of inflation than wet streets are the cause of rain. High prices may be the result of inflation, just as wet streets may be the result of rain. There are, however, many factors which affect price, but there is only one economic cause for inflation – that cause is the increase in the quantity of money and credit.

What of the spiral of wage-cost-price-inflation which now seems to loom as a permanent feature of American life? Many people believe that inflation results when industry is compelled to raise its prices in order to meet its increased labor costs. But such is not the case. If wages and prices are increased excessively and are not accompanied by an increase in the money supply, then the supply of money will be insufficient to make possible the payment of these higher costs, and unemployment will ensue. Obviously at this point the process must be reversed if unemployment is to be stopped. This is accomplished by reducing wages, then costs, and finally prices. It now becomes clear that government must be held strictly accountable for inflation because government, and government only, is responsible for the money supply.

What really concerns us is not the wage-cost-price spiral, but the wage-cost-price-money increase spiral. This spiral has been re-

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peated many times and will continue to be repeated unless and until the government takes a firm action designed to stop the increase in the money supply. Unless this is done, the dollar will become worthless and anarchy will stalk the land. Thus far the productive efficiency of American industry has, by expanding the volume of goods produced per worker, kept prices far below what they would have been had they been influenced solely by inflation.

Root of Other Evils

Inflation is primarily a moral problem in that the increase in the quantity of money and expanding of credit makes it possible for the government to meet its expenditures with money of a constantly decreasing nominal value. Coveting is also involved, because the politicians covet the wealth in the country and use inflation as a means of acquiring it for the development of an ever-increasing bureaucracy. Inflation is also bearing false witness. Those who are responsible for it claim that paper is money when it is not money. It is simply not true to say that a piece of paper backed by nothing is worth as much as a piece of paper backed by gold. Plainly stated, inflation involves an element of lying, coveting, and stealing. Under it government reaches into the safe deposit box of every individual and reduces the value of that which is within the box.

The existence of unsound money is one of the socially demoralizing factors in any civilization. It deprives the aged, who have long practiced the virtues of industry and thrift, of their proper reward. It discourages the young from exercising their ingenuity, resourcefulness, and industry because they see no way by which they can be rewarded for their efforts. Once it is clear that the intrinsic value of money is compromised, men will turn from savings and insurance and other provision for the future, in order to spend the earnings before purchasing power further declines. The people lose hope in their future. Moral deterioration follows the debasement of the dollar. The government's weakening of faith in honest currency exacts the costly toll of encouraging a wider range of dishonesty in economic affairs. The moral law flouted at one level weakens regard for the moral law at other levels. Trusted money is a critical concern for any nation that marks its currency, *In God we trust.* For the distrust of such currency will surely lead to a distrust of God, the end of representative government, and enslavement of people. • • •

Excerpted from *Christianity Today*, January 6, 1958.

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KEY TO PROSPERITY

If profits are denied, who will carry out *their function?*

WILLIAM HENRY CHAMBERLIN

MARXIST prejudices contaminate many who never read *Das Kapital* and never voted the socialist ticket. One such prejudice is that there is something immoral and disreputable about profits. These are regarded as earnings without moral justification, filched by the idle rich from the men and women who are doing the actual work. A trade union leader, demanding a new boost in wages, can always arouse sympathy with the suggestion that the sums necessary for this increase need not be compensated by higher prices; they can come out of profits.

It is with this line of argument that Mr. Walter Reuther has been building up the demands for wage increases and "fringe" benefits which he will present to the automobile companies. He has been offering several variants on the theme that profits are too high, suggesting that higher wages could be paid out of profits without necessitating price increases, proposing that some form of profit sharing with employees be introduced and that the companies reduce the prices of their cars. He was careful to avoid any commitment to moderate wage demands if prices are reduced. Nor did his scheme for profit sharing include any provision for sharing losses which companies sometimes incur in years of slack business activity.

This attitude reveals a curious ignorance or singular indifference in regard to the economic history of the automobile industry. A main factor in its vast postwar expansion, which has provided hundreds of thousands of new jobs at record wage scales, has been the plowing back into the industry of a large part of the profits earned by Ford, General Motors, and Chrysler in prosperous years.

Profit is one of the principal dynamos of the individualist economic system. Without the prospect of profit, especially in new untried fields of enterprise, initia-

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tive would disappear, stagnation would set in, and a nation with a growing population would face a bleak prospect of continual growing unemployment.

A favorite catchword of the old intercollegiate socialist society meeting was: Production for use, not profit. But, like another catchword, "Human rights above property rights," this one proves on examination, to be devoid of content. Where there is no production for profit, there will be no effective production at all.

The Free Market Yardstick

Ability to earn a profit is the surest test of the health of an economic enterprise, of its right to survive in a competitive free economic system. The free market system developed spontaneously. Had it been invented by any single individual, this man would have the right to be considered one of the greatest geniuses in history. For it is the element of free choice in the free market system that assures the most effective use of labor and resources.

Those goods for which there is growing demand normally rise in price, encouraging larger production. Those articles for which demand is slack fall in price, discouraging production. No state planning board, even if its members were the wisest men in the world, could anticipate trends in demand with the unfailing automatic accuracy of the free market, so far as it is left free from the meddling and distortions introduced by state planning and monopolistic devices.

Socialism, with its elimination of private ownership and designation of the State as the omnipotent and omnicompetent planner, producer, and supplier, does not and cannot eliminate the need for the impartial barometer of the market system. For under socialism, no one knows or can know how much any given article is worth.

When I was in Yugoslavia in 1955, I found the state economic planners racking their brains trying to introduce some kind of free market method of price judgment into their collectivist economic system. When I was in Poland last year, I was told of case after case of absurd underpricing, causing the wildest distortions in the economy, just because nothing had been found to replace the free market yardstick.

Ability to earn a profit, under the free enterprise system, is a certificate of efficiency and of real need for the existence of an enterprise. Prolonged and consistent inability to earn a profit means the bankruptcy court, the sanction for failure to meet the test of a competitive method of operation.

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Capital for Industrial Expansion

Some critics seem to assume that profits represent vast sums paid out to social parasites to enable them to go on luxury binges at Miami and Palm Springs. Nothing could be more inaccurate. Retained profits play an enormous role in making possible industrial expansion and thereby creating more jobs for workers and more products for consumers.

In the year 1956, for instance, American corporations reported earnings – which may be overstated, as we shall discuss later – of $43.4 billion. What became of this sum? Corporate income taxes took $21.9 billion. Stockholders received $12.0 billion, on which they in turn paid taxes of about $3.5 billion. $9.6 billion were reinvested –a very considerable stimulus to industrial development and output.

This element of industrial reconstruction and expansion through retained profits has been of still greater significance in Germany where liquid capital was almost wiped out by the drastic currency devaluation of 1948 – itself a consequence of an inflation that was set in motion by Nazi war financing and carried farther by the negative policies of the occupation powers in the first years after the end of the war. German industrial companies had to start from scratch, building up inventories and stocks of raw material, replacing damaged and obsolescent machinery.

With normal sources of capital almost completely closed, German firms resorted on a large scale to so-called self-financing, compelling their stockholders to wait for dividends as they plowed back most of their profits into projects for expansion. The speed and scope of the German recovery proved that this policy paid off. Had all profits been distributed to workers or stockholders, the German economic recovery would have lagged badly.

The amount of profits earned by industrial corporations and the extent of their availability under any "share the wealth" plan are grossly exaggerated in the public imagination. What stockholders got, after taxes, from dividends in 1956 was about $8.5 billion, or about $50 for every man, woman, and child in the United States.

This figure of $8.5 billion was less than one-fifth of the $43.4 billion which corporations earned. Of this larger sum, about three-fifths was taken away in taxes and more than one-fifth was reinvested in business. Many of the stockholders are people of very modest means, often workers in the industries which they partially own as stockholders. Incidentally, employee stock ownership, which exists widely in the United States,

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is a means by which workers can benefit personally and directly from the earnings of industry.

To abolish or unduly curtail profits would have the effect of drying up new investment, which is indispensable if the pace of American industrial development is to be maintained.

A Look at the Record

A brief refresher course in American economic history will show that the conception of profitless prosperity, however appealing it may be to some trade union leaders, has never been realized in practice. High profits, high employment, and high wages are inseparably associated. The converse of this proposition is equally true. Low profits, or losses in business enterprise, mean either low wages or high unemployment, or both, and a depressed level of output.

This is certainly no accidental coincidence. Profits, retained and put back into further development, are one of the more important dynamos of industrial progress. When these profits disappear, the pace of this progress slows down, or ceases altogether. The following facts and figures help to place in perspective the allegations of unduly high profits which are the stock-in-trade of shortsighted trade union leaders and demagogic politicians:

In the ten-year period 1947-56 American corporations earned a net profit of $362 billion. They never saw $175 billion of this amount, which was taken for taxes. Stockholders received $91 billion and business was able to retain $96 billion for its capital needs in a time of unprecedented demand which required continual expansion. During this period wages and salaries rose by 80 per cent, whereas after-tax profits increased by only 18 per cent and retained earnings were actually $2 billion a year less at the end of the period than at the beginning, despite an investment level three-fourths greater.

The *New England Letter* of the First National Bank of Boston of March, 1957, brings out three important and sometimes overlooked points about profits:

"First, profits are being greatly overstated. A substantial amount of inventory appreciation, arising from the higher replacement costs which have prevailed, has been included in profits. In only two years of the 1947-56 period were there any inventory losses, while the aggregate net gains reached $17 billion. This amount was taxed as profits, resulting in less tangible funds for business use. The second cause of overstatement may be found in the inadequacy of depreciation charges in view of the

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large volume of assets currently valued far below replacement cost. Under-depreciation of the physical assets of all American business is estimated at $6 billion for 1957 by the Machinery and Allied Products Institute. With current reproduction cost so far in excess of historical cost, income is not sufficiently charged, with the result that in effect industry is paying profits taxes on this amount of capital consumption. This is not only grossly inequitable but it is an incalculable drag on progress.

"Secondly, profit dollars have been shrinking in purchasing power. Business capital goods, according to reliable estimates, were 37 per cent above their 1947-49 costs early this year. The upward sweep of prices of such goods has been under way since 1933 almost without interruption. On this basis the business dollar of 1947-49 has a current purchasing power of 73 cents, compared with that of 85 cents for the consumer's dollar.

"Thirdly, business profits are taxed excessively. In view of the 52 per cent rate of the federal income tax, the treatment of inventory profits and depreciation and the double taxation on dividends paid out to stockholders, this conclusion is inescapable. . . .

"The overstatement of profits, the shrinkage in purchasing power of profit dollars, and the excessive tax burden on profits are closely linked to the inflationary trend which has been running with varying degrees of intensity since before World War II. Inflation tends to destroy capital values."

National vs. Private Ownership

A good deal of confusion of thought has been induced by calculations that, in the United States, a small percentage of wealthy individuals own a much more than proportionate share of national productive resources. In conclusions drawn from such calculations, however, no distinction is made between the minuscule proportion of a large income – even after taxes – which is spent on personal consumption and the enormously larger share which flows back in the form of reinvestment or investment in other industries.

Perhaps the best illustration of this issue of national versus private ownership is a humorous story which originated behind the iron curtain, in Czechoslovakia. An international commission, visiting a Czech factory, notes a few cars parked outside.

"To whom does this factory belong?" is the inquiry.

"To the workers because this is a workers' state."

"To whom do the cars belong?"

"To the bosses – those who man-

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age the factory in the workers' state."

The commission visits the United States and finds, outside a similar factory, a large number of cars.

"To whom does this factory belong?"

"To the private owners."

"And to whom do the cars belong?"

"To the workers."

Some people give the impression of wanting the fruits of a highly developed industrial system – more and more cars, telephones, plumbing installations, electrical appliances – without paying the price, which is a steady flow of new investment capital. The difference between sufficient and insufficient capital is one of the most important reasons for the difference in the standard of living of the average man of Western Europe or North America as compared with that of Asia, Africa, and Latin America. Estimates of the amount of new capital investment required to provide a worker with the tools of his job vary, but $10,000 seems to be a conservative figure. As our labor force increases by about one million a year, ten billion dollars of new investment is a rough estimate of the figure required to keep up a high level of employment. This figure will never be reached if there is a ruthless profit squeeze, either through excessive taxation or through demands for wage increases so out of proportion to productivity as to push prices beyond the consumer sales resistance point.

Two Indispensable Functions

Far from representing an expendable luxury or "surplus value," profits fulfill two indispensable functions in a free economy. The expectation of profit operates on millions of entrepreneurs, from the man who puts his savings into a restaurant, a service station, or a truck, to the big corporation that sets aside millions for a promising laboratory research project or an expedition into some rugged territory in search of some new source of needed mineral. This is the main force that sustains general employment at a high standard of living.

Second in importance is the function of retained profits in making small businesses grow and big businesses become bigger The link between profits and prosperity is clear and unbreakable. Only through profits can we hope to achieve that freedom of enterprise and risk-taking which will produce sustained economic growth of a magnitude to match that which has brought us the highest standard of living the world has ever known. • • •

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ORGANIZED INCENTIVES NOT TO WORK

F. A. HARPER

WHEN visiting Sweden recently to study the impact of their advancing socialism, I was surprised to find almost universal acceptance of the principle of paying workers on a piecework basis. And I recall that early in World War II a political leader of the United States was severely criticized by our Russian allies because he opposed bonuses to individuals for extra output in the war plants.

These anomalies were brought to mind recently by the assertion in an issue of the AFL-CIO *Collective Bargaining Report* (Vol. 2, No. 12) that unions in the United States "ordinarily are opposed to wage incentive plans."

The AFL-CIO argues that incentive pay "puts a strain on the entire collective bargaining process . . . creates friction between workers." It charges that such schemes are "based on the notion that workers will not perform an 'honest' day's work unless they are 'bribed' by the promise of 'extra' money," and that employers, in hope of higher profits, promise monetary reward to induce workers to "produce more than a 'fair day's work.'" Then comes the frank admission: "When

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workers are paid according to their individual efforts, the union's function of securing high guaranteed wages for all workers becomes more difficult. The local union's ability to present a unified position for base rate increases is weakened."

In other words, incentive pay plans take over the presumed union function of getting a fair and reasonable wage and thus threaten the maintenance of union power. "Wage incentives deemphasize the union's role in securing higher wages," according to the report, and "may threaten the union's entire existence."

A Continuing Problem

There is no denial, of course, that incentive pay plans are often difficult to design. But this problem is not peculiar to incentive pay plans. It is a problem with any plan of pay determination. Incentive pay involves the question of how much Jones produces relative to Smith, his co-worker. This is the same sort of question that is involved in deciding how much of a product is "produced" by tool operators vs. tool investors vs. the electrical power and telephone suppliers, etc.

Problems of accurate determination of a fair wage exist, to be sure. But that only emphasizes that they should be solved as fairly as possible. Incentive plans may be one way to do this.

It will be readily admitted that in some instances the fruits of an incentive pay system may not be worth its cost. Many of the points raised by the AFL-CIO report are important questions. But whether in an incentive pay system the cargo will be worth the freight, is a matter which management must judge in each case. To say that no industrial plants should design and use an incentive plan is as foolish as to say that all should use them. The former is the position of the AFL-CIO and of most other unions in the United States, whereas even socialist Russia and Sweden reject this form of equalism.

When unions oppose the general policy of extra pay for extra work, under incentive or piecework payment, they are merely extending the practice of featherbedding which is so common in union contracts. The difference is only one of degree – equal pay for less work is like equal pay for no work at all.

Something for Nothing

Labor unions are not alone in demanding equal pay for less work. This is a policy which has been adopted again and again in our economy. Farmers demand a price for products not produced and a rent for land not farmed. Teachers

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demand about equal pay for unequal jobs of teaching, with salary based almost entirely on hours spent in training and in the classroom rather than on proficiency at the task. Many other illustrations could be given, too.

The whole question of incentive pay needs a point of focus. And, to me, it is this: So long as economic goods and services are to be made available for exchange in our society, they will be made available either with or without incentive to the one who receives them.

There is no avoidance of this choice, no possible compromise. A person gets goods in exchange for something, or he gets them in exchange for nothing. A "laborer" receives pay for working, or he receives pay for not working. What other alternative can there be?

On the question of incentive pay, it would appear that union leaders find it to their advantage in maintaining themselves in power to uphold the principle of pay for *not* working. This is just another instance where personal rights are being sacrificed for the furtherance of personal power. When incentive pay is denied in principle, the least diligent worker gets as an excess part of what the most diligent worker has earned but is not to be allowed to receive, according to the union policy propounded in this report.

It is a late day for individual justice in the United States when we have to look to Russia and Sweden for some leadership in rejecting equalism – for leadership in upholding the rights of the more productive employee to receive the fruits of his handiwork.

IDEAS ON LIBERTY

Toil Not — Eat Not

HE that will not work, shall not eat, for the labours of 30 or 40 honest and industrious men shall not be consumed to maintain 150 idle loiters . . . When our people were fed out of the common store and labored jointly, glad was he could slip from his labours or slumber — neither cared they for the increase — presuming that howsoever the harvest prospered, the general store must maintain them — so that we reaped not so much corne from 30 men as now 3 or 4 doe provide for themselves.

CAPTAIN JOHN SMITH (1580-1631)—of the Jamestown settlement

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REVIVING THE RAILROADS

BEN W. HEINEMAN

THAT SOMETHING is the matter with the railroads is perfectly plain. Intrinsically a railroad is the most efficient method of mass transportation yet known to man. The underlying efficiency of a steel wheel turning on a steel rail has not yet been surpassed. The lack of friction is such that the same amount of fuel will propel a loaded freight car five times the distance that it will propel a truck carrying the same load.

This efficiency extends to the railroad right-of-way. For example, in commuting we can move 48,000 riders by rail in one hour on one passenger line compared with 6,720 by bus and 2,250 by automobile on one express lane. A study by the Brookings Institute has found that it would take twenty highways of four lanes each to carry the same number of persons that can be carried on two railroad tracks.

The North Western Railroad carries 80,000 commuters a day — 40,000 each way. It is estimated that if these were to commute by automobile at the current commuting average of 1.5 passengers per automobile, the additional parking space required would precisely cover the Chicago Loop.

With these inherent advantages, one would assume that the railroad industry was outstripping its competitors. But what has actually happened? Our competitors in recent years have outstripped us. While our freight tonnage has increased somewhat, our *proportion* of revenue tons has been steadily shrinking.

For years the railroads as an industry have had so little appeal for investors that with the exception of equipment trust certificates they have been unable to finance capital needs from external sources.

Moreover, today we learn that responsible and serious leaders of our industry feel that we will be unable to finance even our equipment needs without the assistance of government credit.

Now this is of course a serious matter to the railroad industry. But the implications go far beyond

Mr. Heineman is Chairman of the Chicago and North Western Railway Company. This article is from an address of October 17, 1957 before the Illinois State Chamber of Commerce.

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the immediate industry. For what I have said is that the most inherently efficient form of mass transportation presently known is fighting a losing battle when it should be the winner in a walk.

Wasting a Precious Asset

Put still differently, what it means is that our economy is wasting one of its greatest assets. For efficient, cheap, volume transportation of goods and raw materials is an asset beyond price. Few things, if any, are more essential to our economy.

The ambition — the aim — of every one of us within and without the railroad industry should be the manufacture of mass transportation service in increasing volume and at an ever-decreasing cost.

This aim should be the aim not merely of management, but of labor as well. For if we have learned anything since the Industrial Revolution, we have learned that by producing more cheaply, more efficiently, and in increasing volume, we are able to pay higher and higher wages.

And this should be the aim and ambition of the legislatures, the regulatory bodies, and the public, for the cheapest possible transportation is integral to a growing and expanding economy.

But what are the realities? The realities are that, as an industry, we have been forced to seek higher and higher freight rates; that in the case of many commodities we have priced ourselves out of the market; that in the case of many more we are in the process of doing so; and that in this process we are holding an umbrella over the heads of what is inherently less efficient competition, to the detriment not only of every segment of the railroad industry — management, labor, and capital — but to the immediate detriment of carload shippers, and the ultimate detriment of the public.

Labor Is Deeply Involved

What *is* the matter with the railroads?

The answer, I believe, is relatively simple. The railroads as an industry set an example of sheer economic waste that is, in my opinion, without parallel in the economic history of our country.

There is no single villain. Labor is deeply involved. Federal, and particularly state, regulatory commissions must bear an important share of the responsibility. And so must you, the public.

Now let me give you some specific examples of what I mean by waste. We run fast passenger trains to Minneapolis, a distance of just over 400 miles. We run them with six-man crews — two men in the engine crew and four in

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the train crew. We run the distance in approximately seven hours. In those seven hours we use three engine crews, and each time we change engine crews we pay that crew approximately a full day's pay, and in the case of one crew, two days' pay. On the trip to Minneapolis we run from Chicago to Milwaukee in 81 minutes. There we change engine crews and pay the first crew approximately a full day's pay. We change our *train* crews twice on this run, or pay them a full day's pay for less than a half-day's work.

Put somewhat differently, we are paying the equivalent of four days' pay to our engine crews for seven hours' work.

Featherbedding

Now let us talk about freight service. One of our finest time freights is what we call our CC-7 – Chicago to Omaha. It should run that distance in about twelve hours. The distance from Clinton, Iowa, to Boone, Iowa, is 200 miles and ordinarily requires five hours and ten minutes.

Yet, as a carryover from steam engine days, 12.5 miles an hour is provided as the basis for compensating freight crews, 100 miles being equivalent to a base day. Therefore, we pay two days' pay for the 200-mile run which occupies five hours and ten minutes. It is apparent to anyone that if we could run our crews through, we could sharply increase their take-home pay – perhaps even double it – and still make real economies to the benefit of all.

There are literally hundreds of other examples. But I don't want to dwell unduly on the labor side, nor do I want to be guilty of using labor as a whipping boy.

The Regulatory Commissions

Let us consider the regulatory commissions. The Chicago & North Western has some 700 to 800 one-man stations. These are approximately seven to eight miles apart. They were laid out 100 years ago at about the distance that one could move a wagonload of wheat and return in a day.

We recently have made time studies of the work performed in these stations. We have found that agents work as little as four to ten minutes for each eight hours on duty. It isn't their fault, of course; changed economic circumstances have simply made such stations largely unnecessary.

Translated into terms of pay for hours actually worked, as distinguished from hours on duty, we find that we are paying such men as much as $150 and $160 an hour. Thirty to forty dollars an hour is not unusual.

Now, plainly, we should consoli-

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date the stations. We should use modern technological methods – perhaps a moving office in a panel truck – and where we have several stations, have either none, one, or a moving station.

Only recently a state commission denied us permission to close a station where the *uncontested* record disclosed that we were paying the agent a full day's pay and that he was working 59 minutes a week. In that case, a court reversed the decision.

But that is not the point. The point is that a regulatory agency of one of our major states would be so little concerned with the basic economics and so responsive to local political pressure as to override the most obvious managerial decision.

The General Public Must Share in the Blame

Now let me talk about you, the public.

It is reasonably well-known, I suppose, that railroads are operating their passenger businesses at a loss. There is, of course, no Santa Claus. In other words, these losses and others from other uneconomic services are being paid for by someone. In our case it is the carload shippers in the form of higher rates, poorer service, less equipment, less money for technological improvement and improvisation.

Fundamentally, the losing passenger service that I am describing serves no economic need whatsoever. The public has voluntarily chosen to pay its tax dollars for hard roads and for municipal airports so as to make available competing forms of transportation, the most significant of which is, of course, the private automobile.

But when the railroads seek to take off losing and unneeded passenger trains, who is it that appears and opposes this elementary managerial decision? Local chambers of commerce, deeply involved in their community pride, and, of course, labor, concerned over the possible loss of jobs.

I could go on and on. These examples are not exceptional; they are typical. Each in its own way reflects in a measure what is wrong with the railroads. Each in its own way is a conspicuous example of waste.

Much of this difficulty springs from an ancient image, unconsciously held by nearly everyone, of the railroad as a natural monopoly. The original thought was that for the privilege of occupying the preferential position as a monopoly, railroads should perform all transportation services – carload and less-than-carload, passenger and suburban, through freight and way freight – whether or not at a loss.

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Labor's attitude, formed in the years before hard roads, the airplane, the barge, the bus, the truck, the pipeline, or the private automobile, has also displayed an unyielding rigidity to changed economic conditions.

But the fact is that today there is no major business that is as competitive as the railroad business. Not only do railroads compete actively with each other – there are at least five good railroads between Chicago and the Twin Cities, and six or seven between Chicago and Omaha – but also they are engaged in bitter competition with such other modes of transportation as the rivers, the pipelines, the trucks – both common carrier and contract – the bus, the airplane, and the ever-present passenger automobile.

Management Responsibility

I have said that there is no single villain responsible for the railroads' dilemma. But I am not so sure that I was right. For in the last analysis, we, the managers, must assume final responsibility. We alone, of all the many interests, have the responsibility for the over-all efficient operation of our properties.

This responsibility cannot be delegated. It doesn't belong to labor; it doesn't belong to the government; it doesn't belong to the public, and it doesn't belong to our investors. It is ours inescapably.

And if we fail to convince our friends from labor that fundamental revisions of their contracts are required to restore the railroads' competitive position so as to enable us to realize upon our inherent efficiency, increase our volume, and pay steadily higher wages on a sound economic basis – that failure is ours, as managers.

If we fail to persuade the commissions that they must permit us to operate efficiently, to eliminate unnecessary or costly service in the interest of providing efficiently and cheaply that mass service for which we are uniquely qualified – that failure is ours, the managers.

If we fail to convince the legislatures that it is not in the interest of their states or their constituents for railroads to continue to be a happy hunting ground, then we have failed as managers.

And if we fail to convince you, the public, that your interest is identical with ours in having us provide quantity service at the lowest possible rates, rather than costly and economically obsolete service, then that failure is ours and no one else's.

And so, in my opinion, in the next decade the railroads will again be pioneers. This time, though, the pioneering will be over a more difficult terrain than when

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100 years ago they pioneered the frontiers of this country. The difficulties will be far greater than those that faced our survey parties in Indian territory; more difficult than when our lines were being built across teeming rivers and over unconquered plains and mountains.

This time we must remake, not the physical frontiers of our country, but the frontiers of thought. We must bridge, and in bridging change, rivers of established and obsolete economic and governmental thinking. We must dynamite not mountains of rock but mountains of inertia – inertia in the legislatures, inertia in labor, inertia in the regulatory agencies, and last, but by no means least, inertia in the public.

The stakes are high – high for all of us in the railroad industry – but even higher for you, the public. For, if we are successful, as I am confident that we shall be, I hold before me a vision of the railroads stripped down and muscular, performing their mass transportation function more cheaply and more efficiently than has ever been known before.

I see an industry that will be continuing to pay – not spend – tax dollars. I see an industry that will be making competition – not merely meeting competition. And finally, I see an industry growing in volume, increasing – not losing – its employment, and inevitably growing in the service that it renders to the shipper, to the public, and to the country. • • •

IDEAS ON LIBERTY

A Powerful Entry . . .

WHAT IS THERE in this power situation that should receive the active attention of businessmen generally? Power is the energizing force of all industry. Control of this force by government operation affords a powerful entry by government into the remainder of the industrial activity of the country.

Any act, therefore, on the part of business which condones expansion in the power field can well be an act which, in the end, will be inimicable to the business world itself. You cannot have just a little bit of socialism. You either have it or you don't. We must realize that this trend is on the march and that our action with respect to it will be the determining factor in the form our government will assume in the years to come.

DR. S. C. HOLLISTER, Dean of the College of Engineering at Cornell University

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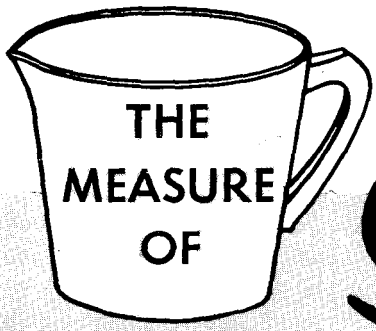

Success

BOB AND ANN SIGNOR

Here's a story of success achieved without benefit of minimum wage legislation or limitation of hours of work or sit-down strikes or price supports or other "privileges," any one of which might have prevented what the Prokupeks have been able to do for themselves through service to others.

AMERICA is still the land of opportunity for those willing to meet its challenge, to barter the commodities of hard work and intelligently directed ambition in exchange for success.

The United States today, for instance, still affords a man the opportunity of entering business on a small scale, with every hope of ultimate success. But he'll have to begin by scrapping all that he may have believed of the "we'll do it for you" school of ideas that has been foisted on a gullible public.

For example, take the Milan Prokupek family. With no assets but themselves, no subsidies, and no special concessions they built another man's business from its beginning into a successful enterprise within a year's time. Then they opened negotiations with its owner and today are buying that business, using their hands to mold a combination of thrift, integrity, and hard-working ambition into their version of the American Success Story.

But because the Prokupeks had an unusually clear vision of the road conditions which led to their goal, they may have had a head start on some of our native-born Americans, at that. For it happens that the golden lure of "planned security" as prescribed by labor, a benevolent government, and attendant disciples, has consistently failed to attract certain people.

All of these kind organizations have found it necessary to support their "benevolence" with more laws and heavier taxation of those of us

Mr. and Mrs. Robert H. Signor, whose families came to America before the Revolutionary War, hope you'll share their admiration for their new-found friends.

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who haven't yet fallen under the spell of such questionable ideals. To these certain people, all this sounds terribly familiar, for they've been forced to live under similiar doctrines, and the golden lure seems more like the glint of cheap tinsel to their eyes.

They have left their respective countries in search of freedom, and once arrived on American soil, they set about seeking their fortunes in the old-fashioned pre-"deal" American way. They cannot afford to be blinded by that glint, so they waste little time chasing a will-o'-the-wisp of something for nothing through the back alleys of welfare-statism. The majority of them are highly successful in their business ventures for this reason, as are the Prokupeks.

The Doctor Is Everywhere

Dr. Prokupek is the intensely warm, friendly host of an unusually good restaurant and lodge near San Francisco, California. The doctor who can be found personally greeting and seating each of his guests, is a rather harried looking gentleman, with red-blonde hair and vividly clear blue eyes. He wears an old shirt and slacks as he lopes around his domain, seeing into everything at once. No one has seen him sit down for long at a time, and he could be called the proverbial on-the-go American.

Together with his wife, Manka, a delightfully diminutive lady who does all the lodge's cooking, the doctor runs a teeming establishment. Their children, Alena, a lovely college student, and Milan, Jr., are a very necessary part of the team, however. They do K.P. Alena, who is achieving her long-sought dream of becoming a doctor, doubles in brass as a waitress on the weekends. During the week she attends a nearby university where she is studying medicine on a scholarship. Milan, Jr. is general factotum, but in his spare moments, can be found cruising around Tomales Bay in his small boat, with or without his father.

In 1947, however, Dr. Prokupek was a top-flight member of the Foreign Trades Ministry of Czechoslovakia. He was Chief of Transportation for his government. His wife was a leading hostess in the glittering diplomatic circles of Prague. They lived in the city but spent much of their time on the vast model farm which the doctor ran as a pastime. Their children had all the advantages that a well-to-do home could give them. One of Dr. Prokupek's last official acts was to lead his country's delegation that year to the UNRRA Conference of Paris.

Then early in 1948 after years of undermining, the communists

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suddenly staged their coup of state. Dr. Prokupek was forced to make a choice. He made it, and within hours was stripped of office, labeled "a friend of Western powers," and compelled to flee for his life. A deeply religious man, he took with him and his family what he considered most important. In his words: "We left Prague within the hour. We had only time to pack one suitcase, and we carried my Czech language Bible."

Escape to Canada

In due course the refugee family found themselves embarked for British Columbia where, it was said, existed boundless opportunities for those willing to work. However, once arrived, they found that opportunities were not quite so boundless for non-English speaking iron-curtain refugees. But necessity breeds adaptability, so ex-minister Prokupek became a lumberyard worker. In time, with a smattering of English which he learned on the job, and with his previous experience, he obtained a position as manager of a small farm. But the family barely made ends meet, so Manka went to work too, cooking for a large hospital. Alena, who already knew she wanted to be a doctor, had her hands full studying for the scholarship she knew she must earn in order to get her training.

In the meantime, the Prokupeks began casting around for ways of making more money. Manka's recipes, which are centuries old, had attracted considerable attention in the hospital. That, and her pastries which were in demand, gave them the answer to their money problem. Manka began making pastries to sell from her home, and the children delivered orders while she spent the evenings baking. They plowed what earnings were necessary back into the business and saved the rest. With some of what Milan earned they at length achieved their goal of five-hundred painstakingly saved dollars. With that nest egg, they opened a small tearoom.

It represented a momentous step for them, although it contained exactly three tables. Manka's cooking, essentially the same as the fare she prepares now, quickly earned them a name as far away as Washington, D. C. From there, the Diner's Club wrote a letter of commendation to the proud family.

Thence to California

When Alena finally got her scholarship, it meant that the family would have to come to northern California to be near her. The tearoom was quite successful, and Manka had to be persuaded to leave it, but the doctor figured if

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they had done it once, they could do it again. So they pulled up stakes once more, for the second time in eight years.

When they arrived, they had no money with which to start a business, hence they were looking for a situation as managers or caretakers when Charles Mel, the president of Calo Dog and Cat Foods, heard of them. Mr. Mel, who knew of their astounding success with the tearoom, decided, in company with his son-in-law, Stan Culp, that the Prokupeks represented a good investment. Accordingly, the two men bought a small lodge situated on a heavily wooded hillside overlooking Tomales Bay just thirty-eight miles north of San Francisco.

But the lodge had seen better days, so the two men offered Dr. Prokupek and his family the job of bringing new life and a new day to it. They accepted the offer with enthusiasm. The Prokupeks, who believe in doing things for themselves, set to with a will, put the lodge and adjoining cabins in order, painted, cleaned, and cooked. Within a short time Manka's Exclusive Dinners and Pastry were making culinary history.

Manka's recipes, handed down in her family for generations, represented the very finest in Continental Cuisine. Shortly after their opening, the noted San Francisco broadcaster, Jim Grady, devoted an enthusiastic program to the intricacies of Manka's genius with Wiener Schnitzel, Sauerbraten, Czech Suzettes, and other European delights.

Work and Thrift

As it is written, all this may sound simple, and a little as if someone waved a magic wand. But the Prokupek day begins at 5:00 a.m. and seldom ends before 11:00 at night. The intervening hours provide ample opportunity for an intimate acquaintance with bone-labor, and any incidental help receives its introduction to the same. Thrifty use of good food and materials is a by-word in this regime, and the result is always Quality, as any of their numerous customers can point out – a reservation is always needed for their Sunday dinners. It takes work and ingenuity to avoid waste and even more work and planning to save money. But the Prokupeks are doing it. Today they own a small car and the little boat. Last September they began purchase of the lodge from Mr. Mel and Mr. Culp—a far cry from the one suitcase and a Bible of ten years ago.

It is obvious that this family, with nothing more at its disposal than industrious hands and a willingness to give an honest value for money received, has literally

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worked itself to remarkable success not only once, but twice within ten years. They haven't made use of secret formulae, unless the earnest application of what used to be called American know-how could be considered secret. They simply have taken advantage of the tremendous opportunities for individual action that always have abounded, and still do, in these United States should one wish to look for them.

America's New Frontiersmen

The fact that fewer and fewer natural-born Americans look for these chances, makes the Prokupeks and those like them America's new frontiersmen. They are pioneering a badly needed rediscovery of the challenge that made this country great. They are not afraid of hard work and humble beginnings; nor are they afraid they might give something for nothing in return. They know what our forefathers knew; that true ability and good service is always recognized and rewarded in a free society. Such a society depends on men of ability for its existence! Such people are strongly inclined to resist the insidious crutches of a closed shop and of a government which has assumed the role of comforter *extraordinaire*. They take the opposite view of such matters, with its foreordained results.

Thinking and planned action by the individual forms the very basis of successful free enterprise. To delegate that responsibility to someone else or a group of someone elses means that when the profits are handed out, the hand on the receiving end will not be that of the deputator. The success of the Inverness Lodge is proof of that.

In the Prokupek scrapbook is a photograph showing the doctor, who is a graduate Doctor of Law from the world-famous Karlova University of Prague. It is a worn group picture of the Czech delegates to that 1947 Paris conference. Ten years have gone under the bridge, and with it, a whole family's might-have-been future, fortune, and possessions. They were rudely juggled in the changing kaleidoscope of the world communistic ambitions, and today the doctor's face and slight stoop show it. But ten years ago the Prokupeks made the choice. Let us not forget that they chose freedom and all that that implies! • • •

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Recipe for a Good Meal

LEONARD E. READ

There's more to this recipe than gourmets or culinary artists usually talk about, for this salmagundi has a bit of social philosophy in it.

'TWAS a Sunday morning. The two of us had given no thought to any eating for the day except the conventional orange juice and coffee and the unconventional sautéed chicken livers and bean soup for breakfast. Let the rest of the day take care of itself! Then the not-too-unconventional thing happened: three guests for dinner!

What to do? Westchester County abounds with restaurants of moderate quality. Why not the five of us dine out? That's the expedient even if the expensive thing to do – sort of the escapist way. But to the gent who likes to cook, this is also to run from a challenge; it is to accept commonplace check-writing while rejecting exciting culinary creation.

An inventory of the refrigerator revealed some staples but nothing in the way of main-course fare except a cup of canned tuna and perhaps a cup and a half of left-over fricasseed chicken – not much of a start for a table of five. Yet, it was this paucity of supplies that presented the challenge. The Chinese approach came to mind – a little meat for flavor and many vegetables for good diet and bulk.

Two utensils were brought forth from the gadgetry closet and placed on the stove. One was an enameled cast iron casserole, an art of the French, Dutch, and Belgians – lost for years – in production again as the finest cooking ware there is. The other was a large, shallow, steel bowl used in Chinese kitchens for numerous kinds of cookery and called a "woc."

A tablespoon each of butter and flour went into the casserole for a

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roux. To the well-blended roux was added one cup of an excellent chicken stock made by a gal in Connecticut, and a cup of Campbell's consommé. This was further thickened with a mixture of cornstarch and water, giving the glistening effect found in all Chinese sauces. Added were two tablespoons of soy sauce, one heaping teaspoon of brown sugar, and a teaspoon of lemon juice. The heat at this point was turned off under the casserole.

Now to the woc. Four slices of bacon were chopped and sautéed, the reasonably crisp pieces being scooped into the casserole. A half teaspoon of finely chopped garlic was half cooked in the woc's bacon grease, all but a modicum of it spooned into a small dish for use as needed in a series of rapid sautéeing.

With the heat high, the 1½ cups of cut-up chicken were quickly browned and added to the casserole. Added also, and without any cooking, were the cup of tuna and a can of bean sprouts, rinsed and drained. Two bunches of scallions were chopped and half cooked and added to the casserole. The same with 1½ cups of sliced mushrooms. The final sautéeing job for the woc, and all together, were: one-half green pepper, chopped; two cups celery, chopped; and one can water chestnuts, sliced. These were not thoroughly cooked by a long shot. It is important that all vegetables be crunchy and not mushy.

Well, there's the concoction, call it what you will. I merely turned on the heat under the casserole, mixed it with a kitchen fork, brought it to simmer, and served it over rice in soup plates. I announced to my four hoped-for admirers: "We're in business."

Anyway, this dish came off first-rate and it was pronounced "Delectable!" Wanting at least to affect modesty, and seeing an opportunity unobtrusively to make an economic point, I demurred by saying: "I had very little to do with this Chinese hash. Many tens of thousands of persons had a hand in its making." This remark evoked more in the way of astonishment than did the savoriness in the way of "ums" and "ahs."

I tried to explain: "Consider the persons who made my utensils, the ones who found out how to enamel cast iron, all of those who had to do with the facilities of manufacture. Who grew and milled and packaged the rice? From whence came the vegetables, and who brought them to market, and who had a part in all of the transportation and communication apparatus? The gal in Connecticut who processed the chicken stock had a part in this dish, as did the fishermen who caught the albacore and the folks who made their equip-

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ment. Reflect, too, on all those who saved, thus providing the capital for all of the enterprises. Think of the army of people who brought the gas to my stove. Above all, bear in mind that not one ingredient used in this preparation was grown, mined, fabricated, or transported by me. Numberless thousands, perhaps millions, through space and time, lent their services for this which you declare delectable."

"But," retorted one of my guests, "it has always been thus. What you speak of as if it were a phenomenon is really commonplace. Aren't you making much ado about nothing?"

"Indeed, I am not. To get a full appreciation of my point, you should read Weaver's *Mainspring*. There you will get the history of freedom and its meaning to you as a person. You will see that most of the people of the world for all time have been faced with famine and starvation; that in most countries, regardless of how backward, a certain few have always been able to command the services of others. The historical rarity is where persons, in moderate circumstances like ourselves, exercising no coercion over any others, can obtain the services of millions in exchange for some minor specializations of our own. The abundance we are experiencing at this table is no longer necessarily confined to kings and commissars and monopolists, the special privileged, or successful thieves. The formula is known that can make a meal like this the fare of anyone who is willing to work. It is this formula that constitutes by far the most important part of this or any other good recipe."

"What is this formula in its briefest form?"

"Adherence to free market, private property, limited government principles."

"You have carried brevity too far. Can't you expand on your principles?"

"Not adequately during a dinner hour. In essence, however, it is simply to leave everybody totally free to act creatively as they please, to let anyone and everyone exchange their goods and services with whomever they please on whatever terms can be mutually agreed upon, to let the fruits of one's labor be one's own, and to limit government – society's agency of force – to the protection of everyone equally in these freedoms."

"Do you mean that government should not play Robin Hood?"

"That is precisely what I mean. Political Robin Hoodism is like taking 20 points from the student who got a grade of 95 and giving the 20 points to the one who got a

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grade of 55. The first will produce less because his incentive has been removed. The latter won't produce because he has become the object of something for nothing."

"You go too far in limiting government. Imagine the chaos there would be in a complex society like ours if government were not managing the economy at all."

"When you say I go too far, you are really saying you favor some predation, providing it is legal, and that I am wrong for being opposed to all of it. And as to government management of the economy, could you manage it or organize its management? Let me make this easier for you. Could you have directed the creative activity that went into the making of the woc that sautéed our food? Or that went into the other ingredients employed by us today? Could you direct just one person in invention, discovery, ingenuity? Why, directing your own self in this respect is a bigger chore than you can fulfill. And what makes you think that voting you into or appointing you to some political office betters your capacities? By doing this, we would make you less capable. If we give you power to direct us, that will corrupt you. Examine yourself and your limitations, add a dose of corruption, and you will see the true nature of an authoritarian, the one who presumes to direct the creative lives of people within a society. And, remember, everyone else, no matter how skilled in other ways or how well educated, is just as incompetent as you are when it comes to controlling the productive lives of others."

"But, under your system how are the poor fed?"

"You are now witnessing the answer. The principles I have but casually touched upon have been practiced in the U.S.A. more than elsewhere, and we, the poor, are better fed here than in countries where these principles are less practiced. All five of us started with no inheritance beyond what God gave us. We are the beneficiaries of liberty. We not only have good food by reason of it; we have life and the opportunity to enrich our lives intellectually and spiritually by reason of it."

"Why, though, do you dwell so passionately on the subject? Your talk would imply that liberty is precariously held; that it's something we are in imminent danger of losing."

"We are in danger of losing liberty. You and millions of others are taking liberty for granted, so much so that you embrace authoritarian ideas as long as they are legally clothed and "democratically" implemented. Only now and then can a skilled expositor of the free market, private property,

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limited government concept be found. Socialism (authoritarianism) – liberty's opposite – is on the increase, and dangerously so."

"I did not know this."

"Without an understanding of liberty, you couldn't possibly know this."

"Anyway, I enjoyed your dish."

"Well, thanks. And, please don't think I have been talking irrelevantly. I only want you to know the whole recipe and to realize that numberless thousands of others were 'cheffing' for you this day. Here's a toast to their health and happiness, all of them, with a wine from California – and to the folks through the ages who brought it to perfection and to our table." • • •

IDEAS ON LIBERTY

Tools

WE FIND RELATIVELY HIGH WAGES in a country where the productivity of the workers is high. Where we find an extremely low level of wages, we can be sure that the productivity of the workers is low. Here, of course, we are speaking of *real* wages — what the wages will purchase — rather than of *money* wages. In a country experiencing great inflation, money wages may climb to astronomical heights and yet buy very little.

Why there is such a tremendous difference in the production of workers in different countries can be summed up very briefly in the one word, *tools*. The term *tools* includes plant and equipment, as well as the actual machines the worker operates. A man who has good tools with which to work is more productive than one who has poor tools.

To provide the tools for the workers, a part of the past production of individuals must be saved. There is no other way. Workers compete with one another for the use of tools; the more plentiful the supply of tools, the better each worker's chance of being highly paid for using them. Workers who use their organized power to frustrate production, thus preventing the saving for new tools — new capital — tend to cut off their only avenue to progress.

W. M. CURTISS, *The Tariff Idea*

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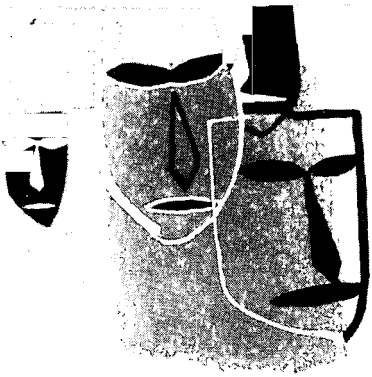

False Gods

What are the prospects for freedom in countries that cast off communism?

REGINALD JEBB

COMMUNISM is like the hydrogen bomb, which, when it explodes and falls to pieces (as communism will undoubtedly one day), leaves behind it a lethal radioactivity that affects future generations.

It is the firm purpose of the Atlantic Alliance eventually to free the nations that are at present under the yoke of the USSR. But what sort of form will that freedom be apt to take? How much communist radioactivity will persist after the explosion is over?

It might seem that a communist dominated country, once it has won its freedom, would discard every vestige of the chains that bound it, and, in its loathing of the persecution it has suffered from totalitarian state practices, revert to the kind of society in which personal liberty and initiative flourish.

Such a hope does not sufficiently take into account the radioactive poison that communism has spread abroad.

From answers to questions put to Hungarian refugees and to Poles, now able to express their opinions under the milder regime of Gomulka, it is not unusual to learn that, while they repudiate communism they look forward to a socialist State after their liberation has been effected. The reasons for this are pretty clear. The religious faith of some of them has been dulled by years of atheist indoctrination; they have almost lost sight of what a really free society means; and they see socialist regimes or at least socialistic practices at work in many western countries that have never felt the heel of Moscow. There is a tendency to think, not so much in terms of natural law and human responsibility, as those of a choice between false gods. It is a case of the fable of King Log and King Stork in reverse. King Stork who devoured the frogs has been killed. The new frogs welcome King Log, unaware that he will provide a place for a second King Stork to perch upon. That mentality is due

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to the radioactive poison that communism leaves behind it.

Does this adaption of the fable appear extravagant, topsy-turvy? But that is exactly what a reversion to socialism from communism would be. To adopt voluntarily a system that has in it the seeds of one's present persecution is indeed so extravagant as to denote a kind of madness. It is like seeking a cure for rabies in the hair of the dog that bit you. It seems probable, however, that that is what may happen.

They Once Knew Freedom

If we look back to the years between the two wars when Poland had been freed from her long partition and had become independent, and when the Austro-Hungarian Empire had been dismembered and Hungary was a separate independent state, we see little socialism in the government of either country (save for the few months of communist rule under Bela Kun in Hungary in 1919). On the contrary, the composition of the government in both countries – though somewhat authoritarian, with a powerful president elected every seven years in Poland, and a regent in Hungary pending a return to the monarchy – was by no means centralized in practice. Much local administration was entrusted to regional authorities And – an important factor – private property was safeguarded. Poor and rich alike were left largely undisturbed by state interference.

If, then, these two countries are now contemplating a collectivist regime when liberation gives them the choice, it is not through prior active experience of socialism, but rather on account of the postwar wave of proletarian propaganda which purports to show that socialism benefits the poorer members of society.

For all those who believe in a free society, this is an alarming outlook. It is no use pretending that, because socialism is less tyrannous than Soviet communism, a movement from the latter to the former may mean a gradual return to freedom. It is no more a way back to freedom than would be a leap back from the fire into the frying pan, there to await a slow death.

The Philosophy of Christendom

Can anything be done to avoid such a calamity? Since the cause of it is a choice between two false and closely allied gods, the first and fundamental remedy is a return to the philosophy of Christendom from which all the western nations have sprung. The second is a practical exposure of the growing perils of statism.

The essence of socialism is war-

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fare against private property. That is contrary to Christian philosophy. If we refer to the works of St. Thomas Aquinas, perhaps the greatest theologian and philosopher who has ever lived, we find that his arguments run somewhat as follows:

The earth was given by God to mankind for all to use. But if all land is held in common, so that no one possesses any part of it as his own, two things are likely to happen: there will be strife between two or more persons seeking to derive wealth from the same piece of land; and if no one is personally responsible for the working of any particular piece of land, there will be little incentive for individual effort, each man being inclined to leave to another the production of wealth. St. Thomas therefore decides, after laying down the essentials of just ownership and the duties incumbent on the owner, that personal possession is in accordance with the Divine order of things.

That is a generally accepted tenet of Christian philosophy. Its truth is in no way affected by such an argument as that the Religious Orders and some other voluntary bodies relinquish personal ownership and hold their goods in common. Such exceptions are both voluntary and ordered. The community agrees to act as a single person. Nor is the fact that sometimes an owner of property is rapacious and rides roughshod over the needs of those less fortunate than himself any argument against the principle of private ownership. Whatever the social system adopted, there will always be people of this kind, and, as has been said, St. Thomas insists on the duties as well as the rights of ownership.

The roots of private property thus lie deep in the soil of Christendom.

Baiting the Trap

The socialist attack on this Christian principle is insidious — an ambush for the unwary. In the assumption of control of the means of production by the State the socialist argues that justice will be done to all and that inequalities will be leveled out. The State, he affirms, is impartial, whereas the private owner thinks only of himself. Under socialism, therefore, exploitation of one man by another will end.

That is the bait laid in the trap. If we are to prevent ourselves and others from being caught, we must make perfectly clear what this means in practice.

It means first of all burdensome and ever-increasing taxation, for if a great part of the normal expenditure of a nation is

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to be undertaken by the State, the money must be found by taxation. This creates two major evils for the individual. His opportunities for exercising personal choice are reduced to the vanishing point, so that initiative dies; and, secondly, he loses all incentive to save, relying upon the government to amass the capital without which all production comes to a standstill. But unlike the private individual or the firm whose livelihood depends upon saving for the provision of capital, the State does not save. On the contrary, it carries an ever-rising debt, which demands further taxation to cover the interest due on it. The explanation is simple. Centralized direction on this scale requires a vast unproductive bureaucracy to administer its planning, a bureaucracy whose only incentive is to hold its job and to receive the pay squandered upon it.

As to the argument that the State deals impartially with everyone, whatever the motives of those in power may be (and who can deny that they are usually influenced by pressure groups and vote catching?) impartiality in this connection means reducing to a dull level all the varied ingenuity of human beings. It is a colossal attempt to fit square pegs into round holes. If socialism had been the system intended to govern human affairs, men would have been mass-produced from a single blueprint, and they would have been denied the faculty of free will.

If we turn to relations with foreign countries, we see similar evils arising from controls by the State. There is no resilience when trade depends upon state bargaining. Every transaction takes on a political flavor which spells death to economic give and take. What private firms can thresh out together in a boardroom to their mutual satisfaction becomes a matter of high policy affecting the prestige of governments. Whatever bargaining takes place runs the risk of estranging the two countries concerned and possibly even leading to war. For wars are almost always the result of fear or jealousy of a state government that has so tightened its control over the people of its country that it is able to implement any decision it may come to, however unpopular. It thus becomes a potential danger to the world – a power unit divorced from the aims and desires of its people.

Socialism Breeds Apathy

It is this last characteristic of a socialist government that makes any relapse into socialism by countries freed from the tyranny of communism a matter of serious

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moment to all those nations that believe in a free society. If, for example, Poland were to adopt a socialist regime, all the vigor of that courageous and talented nation would bit by bit give place to subservient indolence. And if it be asked why then the Poles, who have suffered communism for so many years, have still maintained so much of their fighting spirit, the answer is that communism actively persecutes a people and by its very tyranny keeps alive in brave hearts the determination to resist; whereas socialism, by its milder methods and subtle propaganda, gives the impression that it is working for the betterment of the nation and so lulls it into a somnolent lethargy, until the government has consolidated its control and all power of resistance is dead. After that, a return to communism is the only logical sequel.

If the satellite nations are intending, after their liberation, to replace the false god they hate by another false god that they have not experienced, it is more important than ever that free men strongly resist encroachments in their own countries on the liberty and initiative of the individual.

Freedom is contagious, and it breeds creativity just as surely as control breeds apathy. • • •

WHAT'S THE SCORE?

REPORTED: That the Soviet government is spending more than the United States government on respective exhibits at the 1958 World's Fair in Brussels.

RUMOR: That some persons are concerned, lest visitors to the Fair conclude from these exhibits that the Russian way of life is superior to the American way of life.

SUGGESTION: That for such persons, there be erected a large scoreboard with a running tally of visitors to the Fair:

From Russia _____

From The United States _____

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ECONOMY IN GOVERNMENT

ARTHUR KEMP

ONE MAJOR OBSTACLE to achieving true economy in government is the willingness of many people to accept superficially plausible programs having multiple, and often mutually incompatible, objectives. There is literally no end to the number of socially desirable projects governments can dream up. Each one can be clothed in the most fetching garments and surrounded by such an aura of righteousness that opposition to it can be made to resemble attacking one's sister and setting fire to the old homestead. But, if the ends we seek include the retention of our traditional liberties and self-respect, as well as the multitude of socially desirable projects, we may end up by achieving *none* of them in an effort to have *all* of them! Like Don Quixote, we seem determined to ride off madly in all directions.

To overcome this kind of obstacle requires the establishment of priorities in our objectives. It requires a constant reappraisal and restatement of the *raison d' être* of our political and economic society. For example, some groups wish to increase the degree of centralized direction of political and economic affairs – in brief, they seek a high degree of socialization. In other words, some persons desire enough power to impose their values on other persons. They do not fear inflation, or a government deficit; in fact, they welcome both, for such conditions are quite likely to lead to demands for price-fixing, priorities, rationing, allocations, and so on, all of which are excellent instruments of social control and economic subjugation.

There are others who believe an individual's income is spent most efficiently, and most properly, when he spends it himself in such a manner as he may choose. This second group, in contrast to the first, favors greater economy in

The author is Professor of Money and Credit at Claremont Men's College, California. This is an excerpt from his address to the California Taxpayers' Association at Los Angeles, February 18, 1958.

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government as a means of reducing taxes and thus minimizing the proportion of everyone's income disposed of by political decision.

Unfortunately, there also exists a third group that does not aim at socialized control and favors economy in government in the abstract, but seeks to use the coercive powers of government for its own particular advantage or special privilege. In this group lies the prime obstacle to economy in government. To call upon government to exercise its powers on behalf of one group – whether labor, or farmers, or businessmen, or school teachers, or whatever – inevitably leads to further interference on behalf of others. The end product, as Henry Simons sagely pointed out two decades ago, is an accumulation of governmental regulation and interference which produces all of the disadvantages and none of the advantages of either a free society or socialism itself. We are running the danger, today more than ever before, of drifting into a society which, in performance, is the worst of both worlds.

A Matter of Principle

From the standpoint of moral principle I find it difficult to subscribe to the glorification of economy *per se*. If it could be demonstrated that a centralized system was more efficient in all respects than a decentralized system with its division of sovereignty and separation of powers, I should still prefer the latter. Fortunately, this is not presently the case; instead, we can probably have our cake and eat it too. If we desire efficient production *of the things people want to have*, it is almost beyond dispute that a free and voluntary society is much more capable of accomplishing that goal than a directed, centralized system of imposed values.

It should be recognized, too, that there are two kinds of economy in government; two ways, therefore, to economize. One is to achieve greater efficiency in the operations of government – in producing better defense for less money, in performing governmental services of all kinds at lower *cost*, in reducing employee turnover, and so forth. The second way is to reduce the functions performed by government and to keep all government activity as close to the individual as practicable. This means avoiding government ownership and operation of enterprises, avoiding subsidies whether direct or indirect, and whether or not they have pleasant names like aid to education, school lunches, or pensions for unmarried mothers.

There is, in my opinion, no excuse for the agricultural subsidies,

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the TVA and public power subsidies, the public assistance programs, the vast aid to education programs, the housing subsidies, the subsidies for water transportation, the hidden and open subsidization in many items of public works, and the amazing subsidies to users of mail services. And if someone wishes to raise the question, I am prepared to argue that the largest part of the $60 billion of postwar foreign aid, instead of protecting this nation's defense, has weakened our ability to achieve peace and to wage war, has lost us the respect of a large part of the world, and has seriously undermined the political and moral bases of our very existence.

As early as 1800, Thomas Jefferson wisely observed in a letter to Gideon Granger:

"Our country is too large to have all its affairs directed by a single government. . . . if the principle were to prevail of a common law being in force in the United States (which principle possesses the General Government at once of all the powers of the State governments and reduces us to a single consolidated government) it would become the most corrupt government on the earth. . . .

"Let the General Government be reduced to foreign concerns only, and let our affairs be disentangled from those of all other nations, except as to commerce, which the merchants will manage the better the more they are left free to manage for themselves, and our General Government may be reduced to a very simple organization and a very inexpensive one. . . ." • • •

IDEAS ON LIBERTY

Despotic Government

IT COVERS THE SURFACE of society with a network of small, complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and guided: men are seldom forced by it to act, but they are constantly restrained from acting: such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

ALEXIS DE TOCQUEVILLE, *Democracy in America*

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John Chamberlain

"WAGE PUSH" AND LABOR "PULL"

A CURRENTLY POPULAR theory has it that the inflationary prices of recent years have grown out of something known as the "wage push." The theory is plausible on the face of things. Witness what happens in steel: first, the steel union insists on an increased wage – and gets it; then, with the "law of cost" breathing down their necks, the steel companies feel they must incorporate wages in final prices. Otherwise their profits will sag to the point where they will not be able to pay for new steel capacity at the present inflationary rates.

The seemingly definitive time sequence of the wage-price spiral is such that it is hard to argue against the "wage push" theorists. It is hard to argue against Edward H. Chamberlin's recent *The Economic Analysis of Labor Union Power* (American Enterprise Association, Inc., 46 pp. $1.00), to pick one specific example.

A Harvard professor who fathered the theory of "monopolistic competition" some thirty years ago, Chamberlin believes in the reality of "administered" prices. He also believes that calculated "product differentiation" plays a significant role in the maintenance of "market power" by big firms which presumably set prices at arbitrary high points and make them stick there by artificial means. Believing as he does in the power of organized Bigness to dictate to the customer, Professor Chamberlin is quite logical when he attributes to Big Labor its own "market power" to "administer" the price of work.

Just how is the Chamberlin theory compatible with F. A. Harper's beautifully lucid – and quite conclusive – study of the secular trend of wages since the Civil War, *Why Wages Rise*? On the surface it is not compatible at all. What Harper demonstrates is that wages have tended to rise with productivity, as a "reflex" responds to a "condition." The state of union organization has had nothing whatsoever to do with the broad underlying generality. Labor, whether Big or Little, can't get more than there is – and it must always leave something for the entrepreneur and the investor, or it won't be able to command the use of the more productive machinery. The price of labor has been determined competitively, both in periods of

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strong organization and weak.

On a deeper level, however, Chamberlin and Harper have their moments of compatibility. For, *with political help,* it is entirely possible for some wage earners to gain, at least for the short run, at the expense of other wage earners. Harper does not deny this – and it is as a gloss on the phrase, "with political help," that Chamberlin's little book has its validity.

One does not have to believe at all in the "wage push" explanations of high prices or in the reality of "administered" prices to credit the truth of much that is in Chamberlin's extended pamphlet. Quite obviously, the "wage push" and the "wage-price spiral" take effect within the far more fundamental reality of a debauched currency-cum-credit system.

Responding to pressures, the government has been busy for a generation expanding the money supply without regard to any corresponding increases in productivity. Naturally, with more money in his pocket for use in bidding up the price of products, the customer provokes an increased activity among producers. Since a producer, in a time of inflated demand, doesn't have to worry particularly about price, he will tend to give in to union demands and then turn around and charge it to the customer. It all works very nicely, just so long as the State is willing to add to its periodic flushing of the money supply.

A Response to Inflation

The "wage push," coming as a reflex of the money flood, is a *response* to inflation, not a cause. And the "administered" prices which anyone can collect in certain phases of the supply-demand cycle are a normal competitive expression of a "seller's market." Why should anyone lower his prices when his plant is working at full capacity?

Does this invalidate Chamberlin's "economic analysis" of labor union power as something that reaches monopolistic proportions? No, for a union which has the power of organized politics behind it can defend a privileged position by political means at the expense of those who lack political power. Where a union has a closed or union shop understanding, it will tend to keep its own members employed at high hourly rates, even though a decrease in manufacturing volume may cut into total take-home pay. The main sufferers will be nonunion men who are excluded from employment at lower rates. And the customer will not get a quick price cut as long as the employer feels able to recover high wages in the final price.

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Professor Chamberlin obviously intends to include the pricing of labor within his larger theory of the administered price. But the two things are not aspects of the same basic problem. In a union shop industry it is impossible for a man to get a job unless he will agree to accept the union as his bargaining agent. He has no power of making an alternative contract; and the arm of the State stands ready to discipline him if he tries.

If a man is in the market for a car, however, he has a choice of many alternative contracts. True, if he insists on the trade name or the distinctive features of a Chevrolet, he may be compelled to limit his bargain-seeking to getting alternative quotes on the trade-in value of his old car, or he may be forced to wait for falling prices at the end of the year. But if the purchaser cares less for "differentiated" esthetic or engineering values than he does for basic transportation, he can always buy a used car, or a foreign make, or an American Motors Company Rambler.

Lacking the political power to seal off the used car market, or to put an excessive tariff on Hillmans and Volkswagens, or to compel the American Motors Company to cease making a cheap car, no member of the Big Three in automobiles can use an "administered" price to compel anybody to pay a fixed amount for basic transportation. The illusion of the "administered" price may stand. But in any period of declining business the reality of price "administration" will be exposed as hollow.

Influence of Teamsters

Not so when we come to the power of the Teamsters Union, for example, to gain its ends. The teamsters' slogan is: "If you got it, a truck brought it." In New York City, as Professor Chamberlin points out, the Teamsters Joint Council has the power to grant or withhold strike sanction to the fifty-seven teamster locals. But more importantly, the Joint Council also decides on the validity of requests from other unions, *not teamsters,* for recognition of their picket lines. On the West Coast the power of the Teamsters Union has been used most sweepingly *against* other unions. By refusing to carry an employer's products, a Teamsters Union local can effectively put an entrepreneur out of business, or dictate the type of union with which he must deal.

In all of this it is political power – not economic power – which is the crux of the matter. The streets over which the Teamsters Union members drive their trucks belong to the public. Yet the servants of

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the public – whether in Washington, or in the state capital, or in the city hall, or merely in the local police precinct – do not protect the unorganized individual in his right to use the public thoroughfares which he pays for with his taxes.

Professor Chamberlin's little book is suggestive. It is also sound in its suggestion that legal immunities which enable a union to deprive people of the right to make alternative bargains should be thoroughly reviewed. There should be "a body of law appropriate to the labor market," just as there is a body of law designed to protect people against "monopoly power" in the product market.

Coercive Power

The only flaw in Professor Chamberlin's analysis lies in his frequently implied confusion of economic and political power. He sometimes speaks of the economic power of unions as if it were a mere reflection of numerical Bigness. But labor has no overweening or dangerous power that is not political in its origins. Bigness by itself would be subject to the control and the erosion of competition if it did not have the compulsion of the State behind it. It is not the unions' economic power, then, which is of primary concern; it is the unions' power to coerce – and make use of – the State.

Only a few short years ago Senator Robert Taft, working in conjunction with Senator Joseph Ball and Representative Hartley, thought he had succeeded in designing "a body of law appropriate to the labor market" in the Taft-Hartley Act. Aimed at eliminating a whole host of common compulsions practiced by unions against workers, the Taft-Hartley Act supposedly outlawed the union shop except in certain specified areas; and it tried to limit the use of the strike and peaceful picketing to the legitimate end of gaining concessions in wages, hours, and conditions of employment.

Though the language of the Taft-Hartley Act is seemingly unequivocal, it is Sylvester Petro's contention, in *How the NLRB Repealed Taft-Hartley* (Labor Policy Association, 140 pp., $2.00.) that the National Labor Relations Board has deliberately misinterpreted much of it, largely by the device of assuming that it was never meant to outlaw "any of the primary means which unions traditionally use to press their demands on employers." Inasmuch as unions have used many methods both "primarily" and "traditionally" which are specifically banned by Taft-Hartley, the result is a wilderness of interpretive and judicial cross-purposes.

Dr. Petro's pamphlet bristles

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with many separate instances of muddle, the whole adding up to a terrific indictment of "administrative" law in general. The upshot of the pamphlet would seem to be this: let the NLRB be limited in its power to the certification of bargaining units, and let all other decisions affecting the rights, duties, and responsibilities of employers and employees be left to the courts. • • •

The Man on Your Back: A Preface to the Art of Living Without Producing in Modern Society.

By Wyatt Marrs. Norman, Oklahoma: University of Oklahoma Press, 1958. 289 pp. $3.95.

WYATT MARRS, a sociologist, asserts the simple but widely overlooked truth that the fundamental relationship in society is the mutual interchange of goods and services. He has the blunt honesty of Captain John Smith who made the first important economic statement on American soil: the able-bodied who will not work should not eat – a proposition that might stand as a motto for Professor Marrs' book. Yet it is evident that hordes of people the world over succeed in violating this simple truth, and it is the purpose of this book to aid in the identification of them for what they are: social parasites.

Concerned primarily with our own society in its present state, Mr. Marrs nonetheless points out that the supposed communist crusade against parasitism is itself parasitic, for the communistic society would be made up "of exactly what it proposes to destroy: a mass of consumers living directly upon a mass of producers, without supplying them with anything of equivalent value in return."

There are those – like the immature, the aged, the chronically ill, and the congenitally defective – who must be considered normally dependent upon the productive members of society. Those able-bodied persons who should contribute to the well-being of their fellows but do not are the ones here identified. Chronic dependents such as beggars – parasites who take without giving, such as thieves – and those whose contribution serves no special purpose, such as drug pushers and prostitutes, form an obvious class. Not so obvious are those who exploit entrenched positions in the

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interstices of charitable and religious organizations, in family membership, marital status, or political position.

The author points out that "government, with its power to tap the economic resources of each individual through taxation, with its enormous expenditures, and with its vast array of positions to be filled, naturally attracts a veritable army of the parasitically inclined." But he does not go far enough in analyzing the subspecies of this and other categories.

The man on your back is also the union official who decides the quota of bricks a bricklayer can lay in a day, who limits the size of the painter's paintbrush, who featherbeds extra brakemen on every train that leaves the station, and who decrees how many boys must stand around watching while a plumber sweats a joint. The man on your back is the executive who entertains his personal friends on his company expense account. The man on your back is the professional manager of charity drives who takes two-thirds of the proceeds as overhead. Of these we hear nothing.

Theoretically, the most valuable part of the book is the development of the idea of parasitism itself. Because of custom and tradition, neither the law nor the moral code offer sociological concepts that apply universally to all peoples at all times. But, as Mr. Marrs declares, social parasitism "is a clear-cut and universally valid criterion of antisocial behavior." This book is a clear statement of many of its dangers.

CHARLES BOEWE

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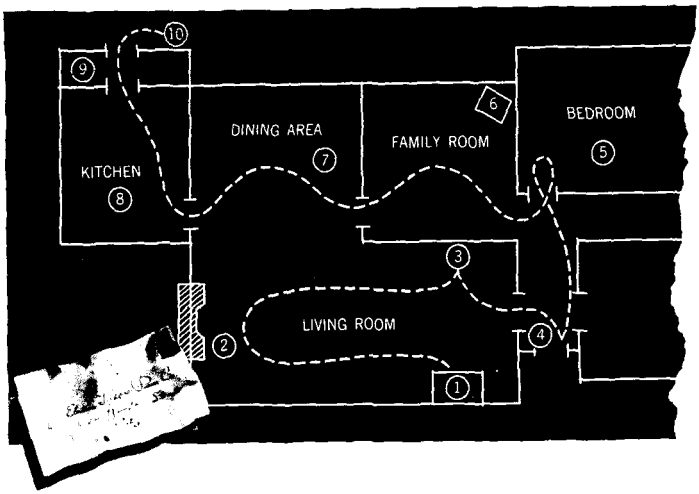

Scene:
The Nelson home

Time:
A Saturday evening

The case of the crumpled letter!

1 The desk where Mr. Nelson opened his bills and wrote a letter to the electric company, protesting against their advertising that electricity gives more value for every dollar than any other item in the family budget.

2 Where Mr. Nelson looked at the electric clock to see if he had time to mail his letter before dinner.

3 The hi-fi set he turned off as he left the room.

4 Where Mr. N. paused to check the thermostat setting on the air conditioning system.

5 His daughter's bedroom where he watched her drying her hair with the electric hair dryer and admired the dress she had just ironed for her date.

6 The TV, with Junior riding herd.

7 The electric coffeemaker and the toaster, ready to do dinner duty.

8 The all-electric kitchen, where dinner was cooking and Mrs. Nelson was taking ice cubes from the refrigerator—and where the electric dishwasher and clotheswasher and dryer were waiting to do the chores ahead.

9 The back porch, where Mr. N. paused to think—realizing that his family *was* putting electricity to work in dozens of ways all over the house . . . ways he often forgot. So maybe the electric company was right about the value of his service.

10 The trash can into which he tossed his crumpled letter.

America's Independent Electric Light and Power Companies*

*Company names on request through this magazine

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FROM A LIBERTARIAN'S LIBRARY

SOCIAL REFORMS which require the citizen to depend too directly on his government for food, occupation, employment, crops, clothes, and homes, compel abrogation or abandonment of constitutions and bills of rights.... The false laudation of the strength of these instruments naturally creates an impression that they constitute an unbreakable barrier against oppression. But nothing could be farther from the truth. They are futile in every respect if the general principles of government are not observed. They have value only in an economic structure of free enterprise and private property.

The Constitution was built around the principle that the responsible taxpayer should exercise the franchise. However, an economic situation may reduce the taxpayers to want. Then, unless a statute divests them of the right to vote, the control of the ballot is in the hands of the discouraged, the disappointed, the destitute, the paupers, the misinformed, the ignorant, the desperate, and the unscrupulous.

A selection from "Liberals" and the Constitution *by Henry Plowdeeper (Spitsbergen), Liberty and Freedom Press, Washington, D. C. 301 pp. $3.00.*

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